



DEPARTMENT OF THE NAVY

NAVY WORKING CAPITAL FUND PRINCIPAL STATEMENTS

PRINCIPAL STATEMENTS

The FY 2004 Navy Working Capital Fund Principal Financial Statements and related notes are presented in the format prescribed by the Department of Defense Financial Management Regulation 7000.14, Volume 6B. The statements and related notes summarize financial information for individual activity groups and activities within the Navy Working Capital Fund for the fiscal year ending September 30, 2004, and are presented on a comparative basis with information previously reported for the fiscal year ending September 30, 2003.

The following statements are included in the Navy Working Capital Fund Principal Statements:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Combined Statement of Financing

The Principal Statements and related notes have been prepared to report financial position pursuant to the requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994.

The accompanying notes should be considered an integral part of the Principal Statements.

Department of Defense
Navy Working Capital Fund
CONSOLIDATED BALANCE SHEET
As of September 30, 2004 and 2003
(\$ in thousands)

	2004 Consolidated	2003 Consolidated Restated
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)		
Entity	\$ 861,243	\$ 1,827,646
Non-Entity Seized Iraqi Cash	0	0
Non-Entity - Other	0	0
Investments (Note 4)	0	0
Accounts Receivable (Note 5)	857,519	582,773
Other Assets (Note 6)	15	10,392
Total Intragovernmental Assets	<u>\$ 1,718,777</u>	<u>\$ 2,420,811</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0
Accounts Receivable (Note 5)	26,190	111,775
Loans Receivable (Note 8)	0	0
Inventory and Related Property (Note 9)	19,239,192	18,256,128
General Property, Plant and Equipment (Note 10)	3,895,542	4,323,910
Investments (Note 4)	0	0
Other Assets (Note 6)	717,191	868,808
TOTAL ASSETS	<u><u>\$ 25,596,892</u></u>	<u><u>\$ 25,981,432</u></u>
LIABILITIES (Note 11)		
Intragovernmental:		
Accounts Payable (Note 12)	\$ 243,982	\$ 313,786
Debt (Note 13)	506,278	615,648
Environmental Liabilities (Note 14)	0	0
Other Liabilities (Note 15 & Note 16)	114,851	289,268
Total Intragovernmental Liabilities	<u>\$ 865,111</u>	<u>\$ 1,218,702</u>
Accounts Payable (Note 12)	\$ 1,862,567	\$ 2,102,870
Military Retirement Benefits and Other Employment- Related Actuarial Liabilities (Note 17)	1,168,225	1,409,853
Environmental Liabilities (Note 14)	0	0
Loan Guarantee Liability (Note 8)	0	0
Other Liabilities (Note 15 and Note 16)	5,679,116	4,157,892
Debt Held by Public (Note 13)	0	0
TOTAL LIABILITIES	<u><u>\$ 9,575,019</u></u>	<u><u>\$ 8,889,317</u></u>
NET POSITION		
Unexpended Appropriations (Note 18)	\$ 0	\$ 0
Cumulative Results of Operations	16,021,873	17,092,115
TOTAL NET POSITION	<u><u>\$ 16,021,873</u></u>	<u><u>\$ 17,092,115</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 25,596,892</u></u>	<u><u>\$ 25,981,432</u></u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund
CONSOLIDATED STATEMENT OF NET COST
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Consolidated</u>	<u>2003 Consolidated</u>
Program Costs		
Intragovernmental Gross Costs	\$ 5,434,981	\$ 5,422,250
(Less: Intragovernmental Earned Revenue)	<u>(21,698,935)</u>	<u>(21,871,864)</u>
Intragovernmental Net Costs	\$ <u>(16,263,954)</u>	\$ <u>(16,449,614)</u>
 Gross Costs With the Public	 \$ 17,915,614	 17,656,253
(Less: Earned Revenue From the Public)	<u>(613,535)</u>	<u>(766,709)</u>
Net Costs With the Public	\$ <u>17,302,079</u>	\$ <u>16,889,544</u>
 Total Net Cost	 \$ 1,038,125	 \$ 439,930
Costs Not Assigned to Programs	0	0
(Less: Earned Revenue Not Attributable to Programs)	<u>0</u>	<u>0</u>
Net Cost of Operations	\$ <u><u>1,038,125</u></u>	\$ <u><u>439,930</u></u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	Cumulative Results of Operations 2004 Consolidated	Cumulative Results of Operations 2003 Consolidated Restated
Beginning Balances	\$ 18,136,830	\$ 18,006,706
Prior period adjustments (+/-)	0	0
Prior period adjustments - restated (+/-)	(1,044,715)	(1,044,715)
Beginning Balance, Restated	17,092,115	16,961,991
Prior period adjustments - not restated (+/-)	0	0
Beginning Balances, as adjusted	\$ 17,092,115	\$ 16,961,991
Budgetary Financing Sources:		
Appropriations Received	\$ 0	\$ 40,200
Appropriations transferred in/out (+/-)	0	0
Other adjustments (rescissions, etc) (+/-)	0	0
Appropriations used	130,446	(40,200)
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	(287,800)	0
Other budgetary financing sources (+/-)	(419,775)	0
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	126	(13,527)
Imputed financing from costs absorbed by others	544,886	543,381
Other (+/-)	0	0
Total Financing Sources	\$ (32,117)	\$ 570,054
Net Cost of Operations (+/-)	\$ 1,038,125	\$ 439,930
Ending Balances	\$ 16,021,873	\$ 17,092,115

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2004 and 2003

(\$ in thousands)

	Unexpended Appropriations 2004 Consolidated	Unexpended Appropriations 2003 Consolidated Restated
Beginning Balances	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0
Prior period adjustments, restated (+/-)	<u>0</u>	<u>0</u>
Beginning Balance, Restated	0	0
Prior period adjustments, not restated	<u>0</u>	<u>0</u>
Beginning Balances, as adjusted	<u>\$ 0</u>	<u>\$ 0</u>
Budgetary Financing Sources:		
Appropriations Received	\$ 130,446	\$ 40,200
Appropriations transferred in/out (+/-)	0	0
Other adjustments (rescissions, etc) (+/-)	0	0
Appropriations used	(130,446)	(40,200)
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	0	0
Other budgetary financing sources (+/-)	0	0
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	0	0
Imputed financing from costs absorbed by others	0	0
Other (+/-)	<u>0</u>	<u>0</u>
Total Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>
Net Cost of Operations (+/-)	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	2004 Combined Budgetary Financing Accounts	2003 Combined Budgetary Financing Accounts
BUDGETARY RESOURCES		
Budget Authority:		
Appropriations Received	\$ 130,446	\$ 40,200
Borrowing Authority	0	0
Contract Authority	355,172	558,144
Net transfers (+/-)	0	0
Other	0	0
Unobligated Balance:		
Beginning of period	4,513,325	4,117,221
Net transfers, actual (+/-)	(287,800)	(30,200)
Anticipated Transfers Balances	0	0
Spending Authority from Offsetting Collections:		
Earned		
Collected	23,926,810	25,585,547
Receivable from Federal sources	249,344	(432,227)
Change in unfilled customer orders		
Advances received	90,067	178,239
Without advance from Federal sources	(1,724,666)	1,964,175
Anticipated for the rest of year, without advances	0	0
Transfers from trust funds	0	0
Subtotal	<u>\$ 22,541,555</u>	<u>\$ 27,295,734</u>
Recoveries of prior year obligations	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0
Permanently not available	<u>(186,529)</u>	<u>(204,140)</u>
Total Budgetary Resources	<u>\$ 27,066,169</u>	<u>\$ 31,776,959</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 0	\$ 0
Reimbursable	<u>24,316,448</u>	<u>27,263,631</u>
Subtotal	<u>\$ 24,316,448</u>	<u>\$ 27,263,631</u>
Unobligated Balance:		
Apportioned	\$ 2,650,776	\$ 4,632,115
Exempt from apportionment	0	0
Other available	0	2
Unobligated Balances Not Available	<u>98,945</u>	<u>(118,789)</u>
Total, Status of Budgetary Resources	<u>\$ 27,066,169</u>	<u>\$ 31,776,959</u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	2004 Combined Budgetary Financing Accounts	2003 Combined Budgetary Financing Accounts
	<hr/>	<hr/>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
Obligated Balance, Net-beginning of period	\$ 3,274,114	\$ 2,985,762
Obligated Balance transferred, net (+/-)	0	0
Obligated Balance, Net-end of period:		
Accounts Receivable	(590,442)	(341,097)
Unfilled customer orders from Federal sources	(7,031,461)	(8,756,130)
Undelivered Orders	6,892,059	7,998,442
Accounts Payable	4,968,550	4,372,899
Outlays:		
Disbursements	24,827,178	25,443,332
Collections	(24,016,876)	(25,763,785)
Subtotal	\$ <u>810,302</u>	\$ <u>(320,453)</u>
Less: Offsetting receipts	<u>0</u>	<u>0</u>
Net Outlays	\$ <u><u>810,302</u></u>	\$ <u><u>(320,453)</u></u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund
COMBINED STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Combined</u>	<u>2003 Combined</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 24,316,448	\$ 27,263,631
Less: Spending Authority from offsetting collections and recoveries (-)	<u>(22,541,554)</u>	<u>(27,295,734)</u>
Obligations net of offsetting collections and recoveries	\$ 1,774,894	\$ (32,103)
Less: Offsetting receipts (-)	<u>0</u>	<u>0</u>
Net obligations	\$ 1,774,894	\$ (32,103)
Other Resources		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	125	(13,527)
Imputed financing from costs absorbed by others	544,886	543,381
Other (+/-)	<u>0</u>	<u>0</u>
Net other resources used to finance activities	\$ 545,011	\$ 529,854
Total resources used to finance activities	<u>\$ 2,319,905</u>	<u>\$ 497,751</u>
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
Undelivered orders (-)	\$ 1,142,521	\$ (703,528)
Unfilled Customer Orders	(1,634,601)	2,142,413
Resources that fund expenses recognized in prior periods	(241,627)	0
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	0	8
Resources that finance the acquisition of assets	(5,045,185)	(1,899,644)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations	0	0
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0
Other (+/-)	<u>(125)</u>	<u>0</u>
Total resources used to finance items not part of the Net Cost of Operations	<u>\$ (5,779,017)</u>	<u>\$ (460,751)</u>
Total resources used to finance the Net Cost of Operations	<u>\$ (3,459,112)</u>	<u>\$ 37,000</u>

The accompanying notes are an integral part of these statements.

Department of Defense
Navy Working Capital Fund
COMBINED STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Combined</u>	<u>2003 Combined</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0
Upward/Downward reestimates of credit subsidy expense	0	0
Increase in exchange revenue receivable from the public (-)	0	0
Other (+/-)	<u>0</u>	<u>83,927</u>
Total components of Net Cost of Operations that will require or generate resources in future periods	<u>\$ 0</u>	<u>\$ 83,927</u>
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 255,203	\$ 243,755
Revaluation of assets and liabilities (+/-)	42,924	74,973
Other (+/-)		
Trust Fund Exchange Revenue	0	0
Cost of Goods Sold	4,160,738	0
Operating Material & Supplies Used	0	0
Other	<u>38,372</u>	<u>275</u>
Total components of Net Cost of Operations that will not require or generate resources	<u>\$ 4,497,237</u>	<u>\$ 319,003</u>
Total components of Net Cost of Operations that will not generate resources in the current period	<u>\$ 4,497,237</u>	<u>\$ 402,930</u>
Net Cost of Operations	<u><u>\$ 1,038,125</u></u>	<u><u>\$ 439,930</u></u>

The accompanying notes are an integral part of these statements.



DEPARTMENT OF THE NAVY

NAVY WORKING CAPITAL FUND

NOTES TO THE PRINCIPAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

1.A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Navy Working Capital Fund (NWCF), as required by the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of the NWCF in accordance with the Department of Defense (DoD) Financial Management Regulation, Office of Management and Budget (OMB) Bulletin No. 01-09, "Form and Content of Agency Financial Statements," and to the extent possible Federal Generally Accepted Accounting Principals (GAAP). The accompanying financial statements account for all resources for which the NWCF is responsible except that information relative to classified assets, programs, and operations which have been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified. The NWCF financial statements are in addition to the financial reports also prepared by the NWCF pursuant to OMB directives that are used to monitor and control the NWCF use of budgetary resources.

The NWCF is unable to fully implement all elements of Federal GAAP and OMB Bulletin No. 01-09 due to limitations of its financial management processes and systems, including feeder systems and processes. Reported values and information for NWCF major asset and liability categories are derived in part from feeder systems, such as inventory systems and logistic systems. These were designed to support reporting requirements focusing on maintaining accountability over assets and reporting the status of federal appropriations rather than preparing financial statements in accordance with Federal GAAP. The NWCF continues to implement process and system improvements addressing the limitation of its financial and feeder systems. A more detailed explanation of these financial statement elements is provided in the applicable note.

1.B. Mission of the Reporting Entity

The overall mission of the Department of the Navy (DON) is to organize, train, and equip forces to deter aggression and, if necessary, defeat aggressors of the United States and its allies. The NWCF provides goods, services, and infrastructure to DON and other DoD customers to help ensure our military forces are mobile, ready, and have the most advanced technology.

The NWCF has prepared annual financial statements pursuant to the CFO Act of 1990, as amended, for the past fourteen years. The Act requires that financial statements be prepared and audited for each revolving fund and account that performed substantial commercial functions, such as those performed by the NWCF.

The NWCF financial statements include all activities previously financed through the Navy Industrial Fund and DON Stock Fund. DoD converted these activities to the Defense Business Operations Fund (DBOF) in October 1991. In December 1996, Under Secretary of Defense (Comptroller) replaced the DBOF with four working capital funds, one of which is the NWCF. This action did not change the previous organizational reporting structure.

1.C. Appropriations and Funds

The DON's appropriations and funds are divided into general, working capital (revolving funds), trust, special, and deposit funds. These appropriations and funds are used to fund and report how the resources have been used in the course of executing the DON's missions.

The NWCF (a revolving fund) received its initial working capital through an appropriation or a transfer of resources from existing appropriations or funds and used those capital resources to finance the initial cost of products and services. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. The NWCF operates with financial principles that provide improved cost visibility and accountability to enhance business management and improve the decision making process. The activities provide goods and services on a reimbursable basis. Receipts derived from operations generally are available in their entirety for use without further congressional action.

1.D. Basis of Accounting

The NWCF generally records transactions on an accrual accounting basis as required by Federal GAAP. However, some of the NWCF's financial and feeder systems and processes are not designed to collect and record financial information on the full accrual accounting basis. The NWCF has undertaken efforts to determine the actions required to bring all of its financial and feeder systems and processes into compliance with all elements of Federal GAAP.

In addition, the NWCF identifies programs based upon the major appropriation groups provided by Congress. The NWCF is in the process of reviewing available data and attempting to develop a cost reporting methodology that balances the need for cost information required by the Statements of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," with the need to keep the financial statements from being overly voluminous.

1.E. Revenues and Other Financing Sources

Revenue is recognized according to the percentage of completion method for depot maintenance activity groups. Research and Development activity groups recognize revenue according to the percentage of completion method or as actual costs are incurred and billed. Revenue is recognized when an inventory item is sold for supply management activities and at the time service is rendered for base support activities. Revenue for the transportation activity group is recognized on either a reimbursable or per diem basis, that is, revenue is recognized when earned. The preponderance of per diem projects are billed and collected in the month services are rendered. In the case of reimbursables, some per diems and point-to-point voyages, the revenue is accrued in the month services are rendered and collection is made the following month.

The NWCF does not include non-monetary support provided by U.S. Allies for common defense and mutual security in its list of other financing sources that appears in the Statement of Financing. The U.S. has agreements with foreign countries that include both direct or indirect sharing of costs that each country incurs in support of the same general purpose. Examples include countries where there is a mutual or reciprocal defense agreement, where U.S. troops are stationed, or where the U.S. fleet is in a port. DoD is reviewing these types of financing and cost reductions in order to establish accounting policies and procedures to identify what, if any, of these costs are appropriate for disclosure in the financial statements in accordance with GAAP. Recognition of support provided by host nations would affect both financing sources and recognition of expenses.

1.F. Recognition of Expenses

For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. However, because the NWCF's financial and feeder systems were not designed to collect and record financial information on the full accrual accounting basis, accrual adjustments are made for major items such as payroll expenses, accounts payable, and contracts. Expenditures for capital and other long-term assets are not recognized as expenses in the NWCF's operations until depreciated in the case of Property, Plant, and Equipment (PP&E) or consumed in the case of Operating Materials and Supplies (OM&S). Net increases or decreases in unexpended appropriations are recognized as a change in the net position.

Operating expenses were adjusted as a result of the elimination of balances between DoD Components. See Note 19.I Intragovernmental Revenue and Expense, for disclosure of adjustment amounts.

1.G. Accounting for Intragovernmental Activities

The NWCF, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the NWCF as though the agency was a stand-alone entity.

The DON's proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related costs are not apportioned to federal agencies. The NWCF financial statements, therefore, do not report any portion of the federal government public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

Financing for the construction of DON facilities is obtained through budget appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Department of the Treasury does not allocate such interest costs to the benefiting agencies.

The NWCF's civilian employees participate in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement Systems (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The NWCF funds a portion of the civilian and military pensions. Reporting civilian pension under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The NWCF recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by the OPM in the Statement of Net Cost; and recognizes corresponding imputed revenue from the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.

To prepare reliable financial statements, transactions occurring between components or activities within the NWCF must be eliminated. However, the NWCF cannot accurately identify all intragovernmental transactions by customer. The Defense Finance and Accounting Service (DFAS) is responsible for eliminating transactions between components or activities of the NWCF. For FY 1999 and beyond, seller entities within the Department provided summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoD accounting offices. In most cases, the buyer-side records have been adjusted to recognize unrecorded costs and accounts payable. Intra-DoD intragovernmental balances were then eliminated.

The Department of the Treasury, Financial Management Service is responsible for eliminating transactions between the Department of Defense or Navy and other federal agencies. In September 2000, the Financial Management Service issued the "Federal Intragovernmental Transactions Accounting Policies and Procedures Guide." The Department was not able to fully implement the policies and procedures in this guide related to reconciling intragovernmental assets, liabilities, revenues, and expenses for non-fiduciary transactions. The NWCF, however, was able to implement the policies and procedures contained in the "Intragovernmental Fiduciary Transactions Accounting Guide," as updated by the "Federal Intragovernmental Transactions Accounting Policies and Procedures Guide," issued October 2002, for reconciling intragovernmental transactions. These transactions pertain to investments in federal securities, borrowings from the United States (U.S.) Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor, and benefit program transactions with the OPM.

1.H. Transactions with Foreign Governments and International Organizations

Each year, DoD Components sell defense articles and services to foreign governments and international organizations, primarily under the provisions of the "Arms Export Control Act of 1976." Under the provisions of this Act, DoD has authority to sell defense articles and services to foreign countries and international organizations, generally at no profit or loss to the U.S. Government. Customers may be required to make payments in advance.

1.I. Funds with the U.S. Treasury

The NWCF financial resources are maintained in U.S. Treasury accounts. Cash collections, disbursements, and adjustments are processed worldwide at DFAS, Military Services, and the U.S. Army Corps of Engineers (USACE) disbursing stations, as well as the Department of State financial service centers. Each disbursing station prepares monthly reports, which provide information to the U.S. Treasury on check issues, electronic fund transfers, interagency transfers and deposits.

In addition, DFAS sites and the USACE Finance Center submit reports to the Department of the Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The Department of the Treasury then records this information to the applicable Fund Balance with Treasury (FBWT) account maintained in the Treasury's system. Differences between the NWCF recorded balance in the FBWT accounts and Treasury's FBWT accounts sometimes result and are subsequently reconciled. Material disclosures are provided at Note 3.

1.J. Foreign Currency

Not Applicable.

1.K. Accounts Receivable

As presented in the Balance Sheet, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. DoD does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against another federal agency are to be resolved between the agencies. Material disclosures are provided in Note 5.

1.L. Loans Receivable.

Not Applicable.

1.M. Inventories and Related Property

Effective FY 2003, Statement of Federal Financial Accounting Standards No.23, "Eliminating the Category National Defense Property, Plant, and Equipment," revises accounting principles for military equipment (previously referred to as National Defense Property, Plant, and Equipment). The standard renames National Defense Property, Plant, and Equipment to military equipment, classifies military equipment as general property, plant, and equipment, and requires the capitalization and depreciation of the cost of military equipment, including the cost of modifications and upgrades. Likewise, military equipment also includes items, which will now be classified as Operating Materials and Supplies. Military equipment is reported on the books of the DON General Fund.

The majority of the NWCF inventories are reported at approximate historical cost using Latest Acquisition Cost (LAC) adjusted for holding gains and losses. The remaining inventory is valued using Moving Average Cost (MAC). The NWCF uses the LAC method because its inventory systems were designed for material management rather than accounting. The systems provide accountability and visibility over inventory items.

They do not maintain the historical cost data necessary to comply with the SFFAS No. 3, "Accounting for Inventory and Related Property." Neither can they directly produce financial transactions using the U.S. Standard General Ledger (USSGL), as required by the Federal Financial Management Improvement Act of 1996 (P.L. 104-208). DoD is transitioning to a MAC methodology for valuing inventory that when fully implemented will allow the NWCF to comply with SFFAS No. 3.

SFFAS No. 3 distinguishes between "inventory held for sale" and "inventory held in reserve for future sale." There is no management or valuation difference between the two USSGL accounts. Further, the DoD manages only military or government-specific material under normal conditions. Items commonly used in and available from the commercial sector are not managed in the DoD material management activities. Operational cycles are irregular, and the military risks associated with stock-out positions have no commercial parallel. The DoD holds material based on military need and support for contingencies.

Related property includes Operating Materials and Supplies (OM&S) and stockpile materials. The OM&S, including munitions not held for sale, are valued at standard purchase price. The NWCF uses various methods of accounting for OM&S.

The DoD policy is to account for condemned material (only) as "Excess, Obsolete, and Unserviceable." The net value of condemned material is zero, because the costs of disposal are greater than the potential scrap value. Material that can be potentially redistributed, presented in previous years as "Excess, Obsolete, and Unserviceable," is included in the "Held for Use" or "Held for Repair" categories according to its condition.

In FY 2003, DoD adopted the use of an allowance to reflect impaired assets, i.e. Inventory Held for Repair. Previously, the DoD financial statements have presented its impaired assets at other than historical cost. The NWCF will implement the allowance method in conjunction with the transition to MAC.

In addition, past audit results identified uncertainties about the completeness and existence of quantities used to produce the reported values. Material disclosures related to Inventory and Related Property are provided at Note 9.

1.N. Investments in U.S. Treasury Securities

Not Applicable.

1.O. General Property, Plant and Equipment

Effective FY 2003, SFFAS No. 23, "Eliminating the Category National Defense Property, Plant, and Equipment," revises accounting principles for military equipment (previously referred to as National Defense Property, Plant, and Equipment). The standard renames National Defense Property, Plant, and Equipment to military equipment, classifies military equipment as general property, plant, and equipment, and requires the capitalization and depreciation of the cost of military equipment, including the cost of modifications and upgrades. Military equipment is reported on the books of the Department of the Navy General Fund.

General PP&E assets and any improvements to the asset are capitalized at historical acquisition cost when the asset has a useful life of two or more years, and when the acquisition cost equals or exceeds the DoD capitalization threshold of \$100 thousand. Improvement costs over the DoD capitalization threshold of \$100 thousand for General PP&E are required to be capitalized. All General PP&E, other than land, is depreciated on a straight-line basis. Land is not depreciated.

General PP&E has been capitalized and reported on the NWCF financial statements using the following DoD capitalization thresholds: FY 1996 through FY 2004 - \$100 thousand; FY 1995 - \$50 thousand; FY 1994 - \$25 thousand; and FY 1993 - \$15 thousand.

For NWCF activities, all PP&E used in the performance of their mission is categorized as General PP&E, whether or not it meets the definition of any other PP&E categories. Military Equipment, Heritage Assets and Stewardship Land owned or maintained on a NWCF installation are reported in the Supplemental Stewardship Report of the applicable Military Department. To prevent duplicate reporting of the same Heritage Assets within DON, the total number of DON-wide Heritage Assets are reported in the Required Supplementary Stewardship Information of the Annual Audited Financial Statements of the DON General Funds (Treasury Index 17).

Material disclosures are provided at Note 10.

1.P. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances or prepayments and reported as an asset on the Balance Sheet. Advances and prepayments are recognized as expenditures and expenses when the related goods and services are received.

1.Q. Leases

Generally, lease payments are for the rental of equipment and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), the NWCF records the applicable asset and liability if the value equals or exceeds the current DoD capitalization threshold. The NWCF records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding portions representing executory costs paid to the lessor) or the assets fair value. The NWCF deems the use of estimates for these costs as adequate and appropriate due to the relatively low dollar value of capital leases. Imputed interest was necessary to reduce net minimum lease payments to present value calculated at the incremental borrowing rate at the inception of the leases. In addition, the NWCF classifies leases that do not transfer substantially all of the benefits or risks of ownership as operating leases and records payment expenses over the lease term.

1.R. Other Assets

The NWCF conducts business with commercial contractors under two primary types of contracts - fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the NWCF provides financing payments. One type of financing payment that the NWCF makes, for real property, is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line and in Note 10, General PP&E, Net.

In addition, based on the provision of the Federal Acquisition Regulation (FAR), the NWCF makes financing payments under fixed price contracts that are not based on a percentage of completion. The NWCF reports these financing payments as advances or prepayments in the "Other Assets" line item. The NWCF treats these payments as advances or prepayments because the NWCF becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the NWCF is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the NWCF for the full amount of the advance.

The DoD has completed a review of all applicable federal accounting standards; applicable public laws on contract financing FAR Parts 32, 49, and 52; and the OMB guidance in 5 Code of Federal Regulations Part 1315, "Prompt Payment." The DoD has concluded that SFFAS No. 1 does not fully or adequately address the subject of progress payment accounting and is considering what further action is appropriate.

1.S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss to the NWCF. The uncertainty will be resolved when one or more future events occur or fail to occur. A contingency is recognized as a liability when a past event or exchange transaction has occurred, a future loss is probable and the amount of loss can be reasonably estimated.

Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility that a loss or additional loss will be incurred. Examples of loss contingencies include the collectibility of receivables, pending or threatened litigation, possible claims and assessments. The NWCF's loss contingencies arising as a result of pending or threatened litigation or claims and assessments occur due to events such as property damages and contract disputes.

1.T. Accrued Leave

Civilian annual leave that has been accrued and not used as of the balance sheet date is reported as a liability. The liability reported at the end of the fiscal year reflects the current pay rates.

1.U. Net Position

Net Position consists of unexpended appropriations and cumulative results of operations (CRO). Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated but for which legal liabilities for payments have not been incurred.

CRO for the NWCF represents the excess/loss of revenues over expenses less refunds to customers and returns to the U.S. Treasury since fund inception.

1.V. Treaties for Use of Foreign Bases

The DoD Components have the use of land, buildings, and other facilities, which are located overseas and have been obtained through various international treaties and agreements negotiated by the Department of State. The DoD capital assets overseas are purchased with appropriated funds; however, title to land and improvements is retained by the host country. Generally, treaty terms allow the DoD Components continued use of these properties until the treaties expire. These fixed assets are subject to loss in the event treaties are not renewed or other agreements are not reached which allow for the continued use by the Department. Therefore, in the event treaties or other agreements are terminated whereby use of the foreign bases is no longer allowed, losses will be recorded for the value of any irretrievable capital assets after negotiations between the U.S. and the host country have been concluded to determine the amount to be paid the U.S. for such capital investments.

1.W. Comparative Data

The Financial Statements and accompanying Notes to the Financial Statements report the financial position and results of operations for FY 2004. Financial statement fluctuations greater than 2 percent of total assets on the Balance Sheet and/or greater than 10 percent between FY 2003 and FY 2004, are explained within the Notes to the Financial Statements.

1.X. Unexpended Obligations

The NWCF obligates funds to provide goods and services for outstanding orders not yet delivered. The financial statements do not reflect this liability for payment for goods/services not yet delivered.

1.Y. Problem Disbursements

As of (Amounts in thousands)	Sep-02	Sep-03	Sep-04	Decrease/Increase from 2003 to 2004
1. Total Problem Disbursements				
A. Absolute Unmatched Disbursements	\$166,500	\$88,748	\$56,910	(\$31,838)
B. Negative Unliquidated Obligations	0	0	0	0
2. Total In-Transit Disbursements, Net	\$0	\$0	\$0	\$0

Unmatched Disbursements (UMDs) occur when payments do not match to a corresponding obligation in the accounting system. Negative Unliquidated Obligations (NULOs) occur when payments have a valid obligation but the payment is greater than the amount of the obligation recorded in the official accounting system. These payments use available funds for valid receiving reports on delivered goods and services under valid contracts. In-Transits represent the net value of disbursements and collections made by a DoD disbursing activity on behalf of an accountable activity but not yet posted in an accounting system.

The NWCF had a problem disbursement absolute amount and net amount of \$56,910 thousand and \$35,225 thousand, respectively. NWCF problem disbursements continue to decrease from the prior years largely due to improving system functionality and business processes. Additional emphasis on further reducing NWCF problem disbursements has resulted in corresponding efforts to analyze and improve DFAS processes, and determine solutions to reduce current inflow and their root causes.

UMDs, NULOs, and In-transit Disbursement, Net represent disbursements of the NWCF funds that have been reported by a disbursing station to the Department of the Treasury, but have not yet been precisely matched against the specific source obligation giving rise to the disbursements. For the most part, these payments have been made using available funds and are based on valid receiving reports for goods and services delivered under valid contracts.

The elimination of both Problem Disbursements and In-transits is one of the highest financial management priorities of the OUSD(C). Problem Disbursements and In-transits represent a significant financial management concern since: (1) accuracy of accounting reports is affected; (2) availability of funds is more difficult to determine; and (3) the required research and resolution process becomes much more labor intensive as the age of the problem disbursements increase. As a result the NWCF has efforts underway to improve the systems and to resolve all previous problem disbursements.

NOTE 2. NON-ENTITY ASSETS

As of September 30,	2004	2003
<i>(Amounts in thousands)</i>		
1. Intra-governmental Assets:		
A. Fund Balance with Treasury	\$ 0	\$ 0
B. Investments	0	0
C. Accounts Receivable	0	0
D. Other Assets	0	0
E. Total Intra-governmental Assets	<u>\$ 0</u>	<u>\$ 0</u>
2. Non-Federal Assets:		
A. Cash and Other Monetary Assets	\$ 0	\$ 0
B. Accounts Receivable	5,141	11,617
C. Loans Receivable	0	0
D. Inventory & Related Property	0	0
E. General Property, Plant and Equipment	0	0
F. Investments	0	0
G. Other Assets	0	0
H. Total Non-Federal Assets	<u>\$ 5,141</u>	<u>\$ 11,617</u>
3. Total Non-Entity Assets	<u>\$ 5,141</u>	<u>\$ 11,617</u>
4. Total Entity Assets	<u>\$ 25,591,751</u>	<u>\$ 25,969,815</u>
5. Total Assets	<u><u>\$ 25,596,892</u></u>	<u><u>\$ 25,981,432</u></u>

6. Other Information Related to Non-entity and Entity Assets:

Fluctuations and/or Abnormalities

The decrease of \$6,476 thousand, 56 percent, in non-federal accounts receivable is the result of reduced outstanding interest, penalties, fines, and administrative fees.

Definitions

Asset accounts are either categorized as entity or non-entity. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations, e.g., accounts payable. Non-entity accounts are assets that are held by an entity, but are not available for use in the operations of the entity, for example, interest, penalties and fines, as an agent of the Department of the Treasury.

Composition of Non-entity Assets

The \$5,141 thousand included in non-entity non-federal accounts receivable represents interest, penalties, fines, & administrative fees. These fees do not belong to the Navy Working Capital Fund and will be submitted to the Department of the Treasury.

Other Disclosures Related to Non-entity Assets

No further disclosures required.

Note Reference

For regulatory discussion on Non-entity Assets, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1004.

NOTE 3.A. FUND BALANCE WITH TREASURY

As of September 30,	2004	2003
<i>(Amounts in thousands)</i>		
1. Fund Balances:		
A. Appropriated Funds	\$ 0	\$ 0
B. Revolving Funds	861,243	1,827,646
C. Trust Funds	0	0
D. Other Fund Types	0	0
E. Total Fund Balances	<u>\$ 861,243</u>	<u>\$ 1,827,646</u>
2. Fund Balances Per Treasury Versus Agency:		
A. Fund Balance per Treasury	\$ 861,243	\$ 1,827,646
B. Fund Balance per NWCF	<u>861,243</u>	<u>1,827,646</u>
3. Reconciling Amount	<u>\$ 0</u>	<u>\$ 0</u>

4. Explanation of Reconciliation Amount:

None.

5. Information Related to Fund Balance with Treasury:**Fluctuations and/or Abnormalities**

Fund Balance with Treasury (FBWT) had a net decrease of \$966,403 thousand, 53 percent, from FY 2003 to FY 2004. The majority of the decreases (over 80 percent) are attributed to: \$810,000 thousand decrease in net outlays which is attributable to a disbursement of \$448,000 thousand to the Navy General Fund in FY 2004. This transfer to the Navy General Fund was made in accordance with the Department of the Navy's (DON) FY 2004 President's Budget; the Naval Shipyards had a net decrease of \$94,636 thousand because the budgeted stabilized billing rate for FY 2004 was lower than the FY 2003 billing rate. The Navy Supply Management had a net decrease in net outlays of \$447,545 thousand which was attributed to the increase in disbursements that was the result of liquidating accounts payable in FY 2004.

Composition of Fund Balance with Treasury

The FBWT of \$861,243 thousand reflects the FY 2003 ending balance of \$1,827,646 thousand plus FY 2004 collections, disbursements, and other cash transactions recorded in the Navy Working Capital Fund (NWCF) Treasury sub-limit 97X4930.002. The following table details the amounts recorded as of September 30, 2004.

(Amounts in thousands)

Net Prior Year Adjustments	\$	0
Collections	\$	24,016,877
Disbursements	\$	(24,718,258)
Other Cash Transactions, Net	\$	(265,021)

The following table provides a breakout of Other Cash Transactions, Net:

(Amounts in thousands)

Activity

Navy Supply Management	Appropriations Received	\$ 130,446
Ordnance-Seal Beach	PBD 419 Cash Transfer	(42,800)
Transportation	Principal Payment to FFB	(107,667)
Navy Component	Public Law 108-87	(245,000)
Total		<u>\$ (265,021)</u>

A direct appropriation of \$130,446 thousand was provided to the NWCF Supply Management Activity through the allocation of the Department of Defense (DoD) Appropriations Act of 2004.

Program Budget Decision 419 transferred \$42,800 thousand for the residual accounting from NWCF Ordnance activity group, which became part of the General Fund in FY 2000.

The principal payment of \$107,667 thousand to the Federal Financing Bank relates to an outstanding debt principal amount reported by the Transportation Activity Group. See Note 6 for additional disclosures.

As outlined in Office of the Under Secretary of Defense memorandum of December 9, 2003, a direct appropriation was provided to the Defense Working Capital Fund in the DoD Appropriations Act, 2004, P.L. 108-87, Title V. Program Budget Decision 624, dated December 1, 2003 provided those funds to Navy Supply Management.

Intragovernmental Payment and Collection (IPAC)

IPAC differences are reconcilable differences that represent amounts recorded by Treasury but not reported by the organization. IPAC differences for the DON cannot be differentiated between NWCF and General Funds. Therefore, no IPAC differences are being reported for the NWCF. All amounts, if applicable, will be reported on the Department of the Navy General Fund statement.

Other Disclosures Related to Fund Balance with Treasury

No further disclosures required.

Note Reference

See Note Disclosure 1.I., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Funds with the U.S. Treasury.

For regulatory discussion on Fund Balance with Treasury, See DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 100501.

NOTE 3.B. DISCLOSURES RELATED TO SUSPENSE/BUDGET CLEARING ACCOUNTS

Information Related to Suspense/Budget Clearing Accounts:

The NWCF Suspense/Budget Clearing Accounts are being reported under Navy General Funds, Index 17.

NOTE 4. INVESTMENTS

Not Applicable.

NOTE 5. ACCOUNTS RECEIVABLE

As of September 30, (Amounts in thousands)	2004			2003
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
1. Intra-governmental Receivables:	\$ 857,519	N/A	\$ 857,519	\$ 582,773
2. Non-Federal Receivables (From the Public):	\$ 26,198	\$ (8)	\$ 26,190	\$ 111,775
3. Total Accounts Receivable:	\$ 883,717	\$ (8)	\$ 883,709	\$ 694,548

4. Other Information Related to Accounts Receivable:

Fluctuations and/or Abnormalities

Intra-governmental accounts receivable increased \$274,746 thousand, 47 percent, from FY 2003 to FY 2004. This increase is mainly attributed to the increase of \$352,938 thousand of supported undistributed collections. The Navy Supply Management business area had a decrease of \$48,357 thousand for the reduction in undistributed collections that were applied/matched to the accounts receivable. Transportation business area had a decrease of \$44,940 thousand that was attributed to the Global War on Terrorism (GWOT). Normally, the Military Sealift Command (MSC) bills and collects accounts receivables for the majority of its recurring customers in the same month, but as the GWOT was initiated, MSC had an increase in new customers, and at first was unable to bill and collect in the same month, which resulted in a higher than normal FY 2003 year-end balance. The Depot Maintenance Aviation had a decrease of \$66,703 thousand from the collection of outstanding customer bills, which had been recorded in FY 2003 and liquidated in FY 2004.

Other activity groups' undistributed collections were impacted because of the shortened reporting period for year-end, which prohibited the processing of some of the Daily Expenditure Files through September 30, 2004.

Non-federal Accounts Receivable decreased \$85,585 thousand, 77 percent, from FY 2003 to FY 2004. The decrease of Non-federal Accounts Receivable in the amount of \$91,458 thousand is predominantly attributed to the changes from FY 2003 to FY 2004 listed below:

<i>(Amount in thousands)</i>	
Foreign Military Sales reclass JV	\$ (24,314)
MOCAS JV	30,175
Combined Changes for Undistributed Supported /Unsupported	<u>85,597</u>
Total	\$ 91,458

A posting logic flaw in the Material Financial Control System for the Supply Management business area continues from FY 2003. Progress has been made, however additional problems have surfaced; thus creating a lower than anticipated balance in the Allowance for Estimated Uncollectibles. In addition, the Industrial Fund's business processes will be changed as a result of the DON Financial Improvement Plan requiring them to record an allowance.

Throughout the NWCF activities, a more aggressive role has been taken within the activities working in conjunction with their DFAS partners, to clear delinquent aged accounts receivables.

Allowance Method

The Statement of Federal Financial Accounting Standards No. 1 and the Department of Defense (DoD) Financial Management Regulation require that federal agencies establish an allowance for uncollectible accounts receivable non-federal accounts. This account has been established within the Navy Working Capital Fund (NWCF). This amount is low, as the NWCF requires an advance deposit from all non-federal entities prior to the commencement of work. Therefore, an assumption is made that the amount of uncollectible accounts should be negligible. The allowance amount represents a percentage of the total that was billed after the total project cost has been adjusted to reflect the advance deposit.

Allocation of Undistributed Collections

The DoD policy is to allocate supported undistributed collections between federal and non-federal categories based on the percentage of federal and non-federal accounts receivable. Supported undistributed collections in the amount of \$352,938 thousand were applied against accounts receivable. (The allocation of supported undistributed did not result in an abnormal balance or allocations greater than 10 percent of the accounts receivable balance.) The NWCF allocates its unsupported undistributed collections in U. S. Standard General Ledger account 2400, Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections. This treatment recognizes that the potential exists that some of these unsupported undistributed collections do not belong to the NWCF and will have to be paid to the appropriate fund holder.

Trading Partner Data

The NWCF's accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the NWCF is unable to reconcile intragovernmental accounts receivable balances with most trading partners. Through the Business Management Modernization Program, DoD intends to develop long-term systems improvements that will capture the data necessary to perform reconciliations. The DON is also working on short-term solutions to gather the required information as outlined in the DON Financial Improvement Plan.

Accounts Receivable Greater than 180 days

The amount of non-federal and intragovernmental receivables over 180-days old is \$20,515 thousand and \$19,052 thousand, respectively.

Non-federal Refunds Receivable

The total amount of non-federal refund receivables does not exceed 10 percent of the non-federal accounts receivable, net amount on the Balance Sheet.

Other Disclosures Related to Accounts Receivable

No further disclosures required.

Note Reference

For additional discussion on financial reporting requirements and DoD policies governing Trading Partner Data and Accounts Receivable, see Notes 1.G. and 1.K, Significant Accounting Policies, respectively.

For regulatory discussion on Accounts Receivable, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1007.

NOTE 6. OTHER ASSETS

As of September 30,	2004	2003
<i>(Amounts in thousands)</i>		
1. Intra-governmental Other Assets:		
A. Advances and Prepayments	\$ 15	\$ 10,392
B. Other Assets	0	0
C. Total Intra-governmental Other Assets	\$ 15	\$ 10,392
2. Non-Federal Other Assets:		
A. Outstanding Contract Financing Payments	\$ 0	\$ 0
B. Other Assets (With the Public)	717,191	868,808
C. Total Non-Federal Other Assets	\$ 717,191	\$ 868,808
3. Total Other Assets:	<u>\$ 717,206</u>	<u>\$ 879,200</u>

4. Other Information Related to Other Assets:**Fluctuations and/or Abnormalities**

Intragovernmental Other Assets, Advances and Prepayments, decreased \$10,376 thousand, 99 percent from FY 2003 to FY 2004. This variance was the result of elimination adjustments to reflect the balances reported on the seller's books (other Department of Defense (DoD)) in September 2003. For FY 2004, these eliminations were not necessary to facilitate the DoD and federal-wide consolidation process, which is discussed in Note 1.

Non-Federal Other Assets (Other Assets With the Public) decreased \$151,616 thousand, 18 percent, which is primarily attributed to the change in the outstanding principal balance of the Maritime Prepositioning Ships (MPS) loan in the amount of \$107,861 thousand.

Advances and Prepayments

In FY 2003, the buyer-side advances to others account balances were adjusted to agree with seller-side advances from others account balances as reported on the books of other DoD reporting entities. Additionally, the buyer-side prepayment balances were adjusted to agree with seller-side deferred credits as reported on the books of other DoD reporting entities for FY 2003 only.

Composition of Non-Federal Other Assets

Non-Federal Other Assets (Other Assets With the Public) includes prepayments made by Navy Supply Management; revenue earned but not billed by Depot Maintenance, Shipyards; and deferred charges, advances, and unallocated costs.

Other Disclosures Related to Other Assets

None.

Note Reference

See Note 1.R., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Other Assets.

For regulatory discussion on Other Assets, See Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1008.

NOTE 7. CASH AND OTHER MONETARY ASSETS

Not Applicable.

NOTE 8. A. DIRECT LOAN AND/OR LOAN GUARANTEE PROGRAMS

Not Applicable.

NOTE 9. INVENTORY AND RELATED PROPERTY

As of September 30,	2004	2003
<i>(Amounts in thousands)</i>		
1. Inventory, Net (Note 9.A.)	\$ 18,505,475	\$ 17,519,382
2. Operating Materials & Supplies, Net (Note 9.B.)	733,717	736,746
3. Stockpile Materials, Net (Note 9.C.)	0	0
4. Total	<u>\$ 19,239,192</u>	<u>\$ 18,256,128</u>

NOTE 9.A. INVENTORY, NET

As of September 30, (Amounts in thousands)	2004			2003	Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	
1. Inventory Categories:					
A. Available and Purchased for Resale	\$ 22,561,554	\$ (18,421,542)	\$ 4,140,012	\$ 3,319,295	O
B. Held for Repair	13,520,824	372,350	13,893,174	13,242,934	O
C. Excess, Obsolete, and Unserviceable	708,360	(708,360)	0	0	SP
D. Raw Materials	0	0	0	0	
E. Work in Process	472,289	0	472,289	957,153	AC
F. Total	<u>\$ 37,263,027</u>	<u>\$ (18,757,552)</u>	<u>\$ 18,505,475</u>	<u>\$ 17,519,382</u>	

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses
 NRV = Net Realizable Value
 O = Other
 SP = Standard Price
 AC = Actual Cost

2. Restrictions of Inventory Use, Sale, or Disposition: None

3. Other Information:

Fluctuations and/or Abnormalities

Inventory Available and Purchased for Resale is a net increase of \$820,716 thousand, 25 percent, from FY 2003 to FY 2004. The Cost of Goods Sold (COGS) model prior period adjustment, \$534,077 thousand, was reclassified to the inventory allowance account, thereby decreasing the inventory allowance which resulted in an increase in inventory. In addition, Navy Supply Management had a reduction in purchases at cost in FY 2004 for approximately \$300,000 thousand.

The Material Financial Control System (MFCS) posting logic is incorrect and caused an abnormal balance in other liabilities, the Navy Supply Management business area's Other Supply Offices, had \$568,567 thousand reclassified to the inventory allowance account to more accurately reflect Navy Supply Management's financial position and correct the posting logic.

Work in Process decreased \$484,861 thousand, 51 percent, from FY 2003 to FY 2004 due to aggressive clearing of backlogged work in process. The majority of this decrease is a result of Depot Maintenance, Aviation, \$175,529 thousand; Naval Air Warfare Center, decrease of \$231,196 thousand, and Naval Surface Warfare Center, decrease of \$38,734 thousand. Due to Puget Sound Naval Shipyard becoming mission funded in FY 2004, the shipyards work in process decreased \$31,387 thousand.

The abnormal value of the allowance account for Inventory Held for Repair in the amount of (\$372,350) thousand was caused by increased disposal of inventory held for the Inactive Inventory Investment Program. This program held material above requirements for potential market and recoupment of investment funds for a predetermined amount of time. Once the time expired, the inventory was disposed.

Changes in Accounting Methods

Navy Supply Management started implementation of SMART, an Enterprise Resource Planning (ERP) System in FY 2003. The inventory capitalized into ERP is valued at Moving Average Cost (MAC). Under the MAC inventory valuation method, the "per item" inventory value can change upon each new purchase.

Valuation Methods

The valuation method O (Other) included in the numeric note table above for inventory categories Available and Purchased for Resale and Held for Repair were provided because the amounts reported are valued at both Latest Acquisition Cost (LAC) and MAC. A breakout of these amounts by valuation method is as follows:

(Amounts in thousands)

Inventory Available and Purchased for Resale, Net

Latest Acquisition Cost	\$3,359,312
Moving Average Cost	<u>780,700</u>
Total	<u><u>\$4,140,012</u></u>

Inventory Held for Repair, Net

Latest Acquisition Cost	\$13,397,093
Moving Average Cost	<u>496,081</u>
Total	<u><u>\$13,893,174</u></u>

Restrictions of Inventory Use, Sale, or Disposition

Generally, there are no restrictions with regard to the use, sale, or disposition to applicable Department of Defense (DoD) activities and personnel. Other than certain safety and war reserve levels, inventory may be sold to foreign, state and local governments, private parties and contractors in accordance with DoD and the Department of the Navy (DON) policies and guidance or at the direction of the President.

Composition of Inventory

Except for the Work in Process, all Inventory categories shown in the table above apply to the Supply Management Activities only.

Inventory Categories. Inventory represents property that is (1) held for sale, (2) in the process of production for sale or (3) to be consumed in the production of goods for sale or in the provision of services for a fee.

Inventory Available and Purchase for Resale includes consumable spare and repair parts and repairable items owned and managed by the DON. In some cases, the consumable and repairable items are managed by other Military Services, such as the Defense Logistics Agency or the General Services Administration. Material available and purchased for resale includes material held due to a managerial determination that it should be retained to support military or national contingencies. Federal Accounting Standards require disclosure of the amount of Inventory Held for "Future Sale". The Navy Working Capital Fund estimates there is currently no Inventory Held for Future Sale reported for FY 2004 in Inventory Held for Sale, Net.

Included in Line 1.A., Inventory Available and Purchased for Resale, is an amount of \$156,925 thousand for War Reserve Material for Navy Supply Management. Marine Corps Supply Management currently has no War Reserve Material.

Inventory Held for Repair is inventory that requires repair to make suitable for sale. Many of the inventory items are more economical to repair than to procure. In addition, because the DON often relies on weapon systems and machinery no longer in production, the DON supports a process that encourages the repair and rebuilding of certain items. This repair cycle is an essential part of maintaining a ready, mobile, and armed military force.

Excess, Obsolete, and Unserviceable inventory consists of scrap materials or items that cannot be economically repaired and are awaiting disposal. The DON does not anticipate recovering any significant costs as a result of final disposal of these items. Therefore, Excess, Obsolete, and Unserviceable inventory will reflect a net realizably value of zero.

Work in Process balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead and other direct costs. Work in Process also includes the value of finished products or completed services pending billing to the customer. The Work in Process designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other Government plants for accrued costs of end items of material ordered but not delivered.

Inventory Work in Process

Work in process at Depot Maintenance activities and Research and Development activities of approximately \$120,004 thousand and \$352,286 thousand, respectively, is included as inventory Work in Process in Note 9.A. These amounts are reported in inventory because the U.S. Government Standard General Ledger (USSGL) does not provide a separate account for Work in Process. This amount represents work that has been completed, expenses incurred, and waiting to be billed to the customer.

Other Disclosures Related to Inventory

The general ledger values in the accounting system do not reconcile with the supporting detail records in the Navy segment of the Supply Management Activity logistics system. Navy Supply Management has determined that program changes must be made to MFCS to correct systemic posting problems, which contribute to a reconciling difference between the systems. Twenty-four System Change Requests have been prepared and submitted. Once approved and executed, final adjustments will be made to inventory and financial systems to align the data.

Note Reference

See Note 1.M., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Inventory and Related Property.

For regulatory discussion on Inventory, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1011.

NOTE 9.B. OPERATING MATERIALS AND SUPPLIES, NET

As of September 30,	2004			2003	Valuation Method
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S, Net	
(Amounts in thousands)					
1. OM&S Categories:					
A. Held for Use	\$ 733,717	\$ 0	\$ 733,717	\$ 736,746	O
B. Held for Repair	0	0	0	0	
C. Excess, Obsolete, and Unserviceable	0	0	0	0	
D. Total	\$ 733,717	\$ 0	\$ 733,717	\$ 736,746	

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost
adjusted for holding gains and losses

SP = Standard Price

AC = Actual Cost

NRV = Net Realizable Value

O = Other

2. Restrictions on OM&S: None

3. Other Information Related to OM&S:

Fluctuations and/or Abnormalities

No further disclosures required.

Restrictions on OM&S

Generally, there are no restrictions with regard to the use, sale, or disposition of OM&S applicable the Department of Defense (DoD) activities.

Composition of OM&S

OM&S Held for Use represents property that is consumed during normal operations and includes consumable spare and repair parts for use on customer work by various activities. The items are recorded using different methodologies including actual, weighted-average and historical cost. Federal Accounting Standards requires disclosure of the amount of OM&S Held for "Future Use". The Navy Working Capital Fund estimates that \$13,674 thousand of the OM&S Held for Use, Net will be for future use. There is no management or valuation difference between the two categories.

Government Furnished Material (GFM) and Contractor Acquired Material (CAM)

Generally, the values of the NWCF's GFM and CAM in the hands of contractors are not included in the OM&S values reported above. DoD is presently reviewing its process for reporting these amounts in an effort to determine the appropriate accounting treatment and the best method to annually collect and report required information without duplicating information already in other existing logistics systems.

Other Disclosures Related to OM&S

No further disclosures required.

Note Reference

See Note 1.M., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Inventory and Related Property.

For regulatory discussion on OM&S, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 101107.

NOTE 9.C. STOCKPILE MATERIALS, NET

Not Applicable.

NOTE 10. GENERAL PP&E, NET

2004						2003
As of September 30,	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
<i>(Amounts in thousands)</i>						
1. Major Asset Classes:						
A. Land	N/A	N/A	\$ 50,740	N/A	\$ 50,740	\$ 63,711
B. Buildings, Structures, and Facilities	S/L	20 Or 40	5,780,915	\$ (3,727,618)	2,053,297	2,496,894
C. Leasehold Improvements	S/L	lease term	302	(164)	138	169
D. Software	S/L	2-5 Or 10	414,331	(200,236)	214,095	106,935
E. Equipment	S/L	5 Or 10	3,354,530	(2,471,542)	882,988	921,981
F. Military Equipment	S/L	Various	0	0	0	0
G. Assets Under Capital Lease ^[1]	S/L	lease term	0	0	0	0
H. Construction-in- Progress	N/A	N/A	682,665	N/A	682,665	730,671
I. Other			11,619	0	11,619	3,549
J. Total General PP&E			\$ 10,295,102	\$ (6,399,560)	\$ 3,895,542	\$ 4,323,910

^[1] Note 15.B for additional information on Capital Leases

Legend for Valuation Methods:

S/L = Straight Line N/A = Not Applicable

2. Other Information Related to General PP&E, Net:**Fluctuations and/or Abnormalities**

Land decreased \$12,972 thousand, 20 percent. The Naval Air Warfare Centers (NAWCs) became a tenant of Commander, Naval Installation (CNI), as of October 1, 2003, resulting in the transfer of land to CNI, which caused a decrease of \$11,563 thousand. The Naval Undersea Warfare Center (NUWC) had a decrease of \$646 thousand because of a transfer of land to CNI also.

Buildings, Structures, and Facilities decreased \$443,596 thousand, 17.8 percent from FY 2003 to FY 2004. The majority of the decrease is a result of the NAWC decrease of \$327,565 thousand and the NUWC decrease of \$76,040 thousand transfer of assets to CNI.

Leasehold Improvements decreased \$31 thousand, 18 percent, due to increased depreciation in the Transportation Business Area.

Software increased \$107,160 thousand, 100 percent, from FY 2003 to FY 2004. The increase is primarily attributed to an increase in the Depot Maintenance Aviation business areas as a result of its Enterprise Resource Planning (ERP), System configuration Management Information System, Naval Air Systems Command (NAVAIR) Depot Maintenance System and the Depot Maintenance System becoming operational in FY 2004.

GPP&E Other increased \$8,070 thousand, 227 percent, from FY 2003 to FY 2004 due to property awaiting disposal. With the implementation of ERP, this is the book value of the Defense Industrial Financial Management System (DIFMS) that is no longer being depreciated.

Military Equipment

Military equipment is reported on the books of the Department of Navy General Fund.

Fully Depreciated Assets

The acquisition value of fully depreciated assets reported in the Balance Sheet amount to \$3,325,566 thousand as of September 30, 2004.

Outside of the Continental United States (OCONUS) GPP&E

Included in the Major Asset Classes disclosed in Note 10 are assets located OCONUS. As of September 30, 2004 the amount of OCONUS was \$322,816 thousand.

Contractor Held GPP&E

For those activities with GPP&E real property in the possession of contractors, the value of this real property is included in the values reported for the Major Asset Classes of Buildings, Structures, and Facilities. The value of personal property in Major Asset Classes of Automated Data Processing Software and Equipment does not include all of the GPP&E in the possession of contractors. The net book amount of such property is immaterial in relation to the total GPP&E net book value. In accordance with an approved strategy with the Office of Management and Budget, the General Accounting Office, and the Inspector General Department of Defense, the Department of Defense is developing new policies and a contractor reporting process to capture GPP&E information for future reporting purposes for compliance with federal-wide accounting standards.

Other Disclosures Related to GPP&E

For the Naval Supply Systems Command, the value of GPP&E is potentially overstated. Implementation of the Defense Property Accounting System (DPAS) has recorded all plant, property, and equipment since its inception in October 1999. The value of equipment is overstated in the Central Database (CDB) due to a lack of an interface between the source system, DPAS and the Defense Business Management System (DBMS). Additionally, the GPP&E that was resident in the CDB prior to October 1999 remains in the CDB. The amounts reported in the CDB appear on the balance sheet, but potentially overstate the true value of the GPP&E. Navy Supply Management plans to initiate the interface with DPAS and DBMS, for equipment, during the first quarter of FY 2005. There are initiatives underway to identify corrective actions for the reporting of land, buildings, and software during FY 2005. This deficiency has been noted in the DON Financial Improvement Plan.

Note Reference

See Note 1.O., Significant Accounting Policies, for additional discussion on financial reporting requirements and the Department of Defense (DoD) policies governing GPP&E.

For regulatory discussion on GPP&E, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1012.

NOTE 10.A. ASSETS UNDER CAPITAL LEASE**Information Related to Assets Under Capital Lease:**

The Navy Working Capital Fund has no assets under capital lease.

Other Disclosures Related to Assets Under Capital Lease

No further disclosures required.

Note References

See Note 1.Q., Significant Accounting Policies, for additional discussion on financial reporting requirements and the DoD policies governing Leases.

NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30,	2004	2003
<i>(Amounts in thousands)</i>		
1. Intra-governmental Liabilities:		
A. Accounts Payable	\$ 0	\$ 0
B. Debt	0	0
C. Environmental Liabilities	0	0
D. Other	5,141	11,617
E. Total Intra-governmental Liabilities	\$ 5,141	\$ 11,617
2. Non-Federal Liabilities:		
A. Accounts Payable	\$ 0	\$ 0
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	1,168,225	1,409,853
C. Environmental Liabilities	0	0
D. Loan Guarantee Liability	0	0
E. Debt Held by Public	0	0
F. Other Liabilities	0	0
G. Total Non-Federal Liabilities	\$ 1,168,225	\$ 1,409,853
3. Total Liabilities Not Covered by Budgetary Resources	\$ 1,173,366	\$ 1,421,470
4. Total Liabilities Covered by Budgetary Resources	\$ 8,401,653	\$ 7,467,848
5. Total Liabilities	\$ 9,575,019	\$ 8,889,318

Fluctuations and/or Abnormalities

The decrease of \$6,476 thousand, 55 percent, in other intragovernmental liabilities is the result of reduced outstanding refunds receivable and interest.

The decrease of \$241,628 thousand, 17 percent, in Military Retirement Benefits and Other Employment-Related Actuarial Liabilities is based on the amount received from the Department of Labor.

Definitions

Liabilities Not Covered by Budgetary Resources are those liabilities which are not considered covered by realized budgetary resources as of the balance sheet date.

The Intragovernmental Liabilities, Other amount of \$5,141 thousand represents interest, penalties, fines & administrative fees. These fees do not belong to the Navy Working Capital Fund and will be distributed directly to the Department of the Treasury.

Other Disclosures Related to Liabilities Not Covered by Budgetary Resources

The \$1,168,225 thousand included in Military Retirement Benefits and Other Employment-Related Actuarial Liabilities represents Federal Employees' Compensation Act liabilities.

Note Reference

For additional line item discussion, see Note 12, Accounts Payable; Note 15, Other Liabilities; Note 16, Commitments and Contingencies; and Note 17, Military Retirement Benefits and Other Employment Related Actuarial Liabilities.

NOTE 12. ACCOUNTS PAYABLE

	2004			2003
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
As of September 30,				
<i>(Amounts in thousands)</i>				
1. Intra-governmental Payables:	\$ 243,982	N/A	\$ 243,982	\$ 313,786
2. Non-Federal Payables (to the Public):	\$ 1,862,567	\$ 0	\$ 1,862,567	\$ 2,102,870
3. Total	<u>\$ 2,106,549</u>	<u>\$ 0</u>	<u>\$ 2,106,549</u>	<u>\$ 2,416,656</u>

4. Other Information Related to Accounts Payable:**Fluctuations and/or Abnormalities**

Intragovernmental Accounts Payable had a net decrease of \$69,804 thousand, 22 percent, from FY 2003 to FY 2004. The decrease is attributed to the Component business area that had a total decrease of \$400,775 thousand of which a net decrease of \$257,016 thousand reflects an accounts payable adjustment that moved unsupported undistributed disbursements to disbursements in transit; a net decrease of \$122,149 thousand reflects an adjustment to accounts payable that reclassified intragovernmental to public and a decrease of \$21,611 thousand that is attributed to eliminations.

There was an increase of \$333,902 thousand in accounts payable that was attributed to the Ordnance business area of \$119,474 thousand. This increase was offset by undistributed disbursements and the continual clearing of residual accounts in this business area; the Naval Air Warfare Center's (NAWC's) increase of \$121,160 thousand related to the implementation of SIGMA Enterprise Resource Planning (ERP) System. During the NAWC's implementation, undistributed disbursements were higher in FY 2003. With the system being fully operational, the problems encountered in FY 2003 have been corrected in FY 2004 and the proper balances are reflected. Navy Supply Management increased \$140,217 thousand, which was attributed to the increase in supplies ordered during FY 2004 and the decrease of undistributed disbursements. See below for discussion on the composition and allocation of undistributed disbursements.

In February 2003, the Department of Defense (DoD) Appropriations Act authorized the Navy Working Capital Fund (NWCFF) Cash Balance and Rate Stabilization Adjustment for the Ordnance activity group for \$120,000 thousand that decreased accounts payable because a Voucher for Transfers between Appropriations and/or Funds was used and this transaction created an undistributed disbursement. Navy Supply Management increased \$140,217 thousand because of the activity at the field level accounts payable records. Space and Naval Warfare System Center had a decrease of \$73,673 thousand. The majority of the undistributed disbursements represent Mechanization of Contract Administration Services (MOCAS) payments, which had not liquidated. NAWC increased \$121,160 thousand due to delayed processing of the Daily Expenditure File in September 2004, which created an undistributed disbursement.

Approximately 85-90 percent of Intragovernmental Other Liabilities includes the Industrial Fund's contract accruals. Contract accruals are the costs of contractual services rendered by either commercial or government organizations, which are accrued over the anticipated life of each service contract. Accruals are rolled-up in the accounting system as Other Liabilities and should be adjusted based on paid vouchers. The Department of the Navy (DON) Financial Improvement Plan is addressing the accounting deficiencies of not posting contract accruals as accounts payable. The NWCFF will continue to reflect abnormal accounts payable until the solution is implemented.

Other activity groups' undistributed collections were impacted because of the shortened reporting period for year-end, which prohibited the processing of some of the Daily Expenditure Files through September 30, 2004.

Non-Federal Accounts Payable decreased \$240,303 thousand, 11 percent, from FY 2003 to FY 2004. Net adjustments were made in the Component business area which were attributed to a net decrease of \$148,349 thousand which was moved from unsupported undistributed disbursements to disbursements in transit (other liabilities); a net increase in the amount of \$122,149 thousand was reclassified payables from intragovernmental to non-federal in order to reconcile trading partner data. The remaining \$221,780 thousand decrease is related to the Naval Surface Warfare Center. This decrease was caused by a new business practice of running cash daily and the clean up of old accounts payables. The Transportation business area decreased because they were able to resolve outstanding unmatched disbursements during FY 2004.

Definitions

Intragovernmental accounts payable consists of amounts owed to other federal agencies for goods or services ordered and received but not yet paid. Interest, penalties, and administrative fees are not applicable to intragovernmental payables. Non-Federal payables are payments to non-federal government entities (to the public).

Undistributed Disbursements

Undistributed disbursements are the difference between disbursements/collections recorded at the transaction level to a specific obligation, payable, or receivable in the activity field records as opposed to those reported by the U.S. Treasury via the reconciled DD1329 and DD1400. The total undistributed disbursement amounts displayed in this note should agree with the undistributed amounts reported on the accounting reports (SF133/AR(M)1307). In-transit payments are payments that have been made for other agencies or entities that have not been recorded in their accounting records. These payments are applied to each entity's outstanding accounts payable balance at year-end.

Allocation of Undistributed Disbursements

The DoD policy is to allocate supported undistributed disbursements between federal and nonfederal categories based on the percentage of Federal and Nonfederal accounts payable. Supported undistributed disbursements in the amount of \$237,294 thousand were applied against Accounts Payable. Unsupported undistributed disbursements should be recorded in U.S. Standard General Ledger (USSGL) account 2120, Disbursements in Transit. The NWCF reclassified \$604,251 thousand to in-transit payments.

Composition of Undistributed Disbursements

The majority of the undistributed disbursements represent MOCAS payments, which have not been liquidated. MOCAS payments represent those payments made to contractors for materials or services that are greater than \$2,500 dollars. Accruals are made when the service is performed and remains in this account until the provider submits an invoice for payment. Therefore, if a copy of the invoice is not received by the NWCF activity prior to the Defense Finance and Accounting Service making payment, the payment will go to undistributed disbursements. The amounts accrued to cover the anticipated materials and services are captured as Contract Accruals on the Other Accrued Expense line (Note 15.A., Other Liabilities, Nonfederal: Other Liabilities) and are not considered an accounts payable.

Note 3 describes a \$448,000 thousand disbursement to the Navy General Fund. This transfer to the Navy General Fund was made in accordance with the Department of the Navy's FY 2004 President's Budget resulting in an undistributed disbursement in the Component business area that was also applied to accounts payable.

Trading Partner Data

For the majority of intra-agency sales, NWCF accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the NWCF was unable to reconcile the majority of its intragovernmental accounts payable to the related intragovernmental accounts receivable that generated the payable. Through an ongoing Business Management Modernization Program, the DoD intends to develop long-term systems improvements that will capture the data necessary to perform reconciliations. The DON has outlined some processes for review and implementation in the DON Financial Improvement Plan, which should provide some near-term solutions.

Eliminating Adjustments

The DoD summary level seller accounts receivables were compared to NWCF accounts payable. An adjustment was posted to the NWCF accounts payable based on the comparison with the accounts receivable of the DoD Components providing goods and services to the NWCF. As required, adjustments were made to reclassify accounts payable from Federal to Public.

Other Disclosures Related to Accounts Payable

The NWCF also disbursed \$448,000 thousand to the Navy General Fund in April 2004 in accordance with the Department of the Navy's FY 2004 President's Budget, which also created an undistributed disbursement in the Component business area.

Note Reference

See Note 1.G., Significant Accounting Policies, for additional discussion on financial reporting requirements and DoD policies governing Trading Partner Data and Eliminating Adjustments.

NOTE 13. DEBT

As of September 30.	2004			2003
	Beginning Balance	Net Borrowings	Ending Balance	Ending Balance
<i>(Amounts in thousands)</i>				
1. Public Debt:				
A. Held by Government Accounts	N/A	N/A	N/A	N/A
B. Held by the Public	N/A	N/A	N/A	N/A
C. Total Public Debt	N/A	N/A	N/A	N/A
2. Agency Debt:				
A. Debt to the Treasury	\$ 0	\$ 0	\$ 0	\$ 0
B. Debt to the Federal Financing Bank	615,648	(109,370)	506,278	615,648
C. Debt to Other Federal Agencies	0	0	0	0
D. Total Agency Debt	\$ 615,648	\$ (109,370)	\$ 506,278	\$ 615,648
3. Total Debt:	<u>\$ 615,648</u>	<u>\$ (109,370)</u>	<u>\$ 506,278</u>	<u>\$ 615,648</u>
4. Classification of Debt:				
A. Intragovernmental Debt			\$ 506,278	\$ 615,648
B. Non-Federal Debt			N/A	N/A
C. Total Debt			<u>\$ 506,278</u>	<u>\$ 615,648</u>

5. Other Information

Fluctuations and/or Abnormalities

Intragovernmental Debt decreased \$109,370 thousand, 18 percent, from FY 2003 to FY 2004 as a result of the reduction of the outstanding debt principal and interest amount reported for the Transportation Activity Group.

Other Information Related to Debt

The Afloat Propositioning Force - Navy (APF-N) program, with Congressional approval, provides ships for Time Charter to meet requirements not available in the marketplace. These ships are built or converted by private Interim Vessel Owners using private, non-government financing obtained from various banking institutions. There were no payments made by the government during the building/conversion phase. APF-N Time Charters are for five years with four option renewal periods of five years each, for a total of 25 years. At the end of the contract, each ship returns to the vessels owner.

The Federal Financing Bank (FFB) is one of the institutions that provided loans to the vessel owners. The FFB is reporting a debt in the amount of \$506,278 thousand which represents an outstanding principal balance of \$498,583 thousand and accrued interest payable of \$7,695 thousand for the Transportation activity group. This information is being presented in error as the transportation activity group does not owe this debt to the FFB. This debt is a public debt owed by the private vessel owners. In order to simplify the payments to the FFB and to meet its requirements, the FFB cross-disburses the semi-annual principal and interest payments directly from the Navy Working Capital Fund (NWCF). This is done instead of having the Military Sealift Command (MSC) make Capital Hire payments to the vessel owners, who would in turn make its loan obligation payments to the FFB.

The direction of the vessel owner to have the government make payments directly to a bank, in this case the FFB, is not an uncommon practice, and mirrors other Time Charters where payment is assigned directly to a bank. This occurred when the ownership of these vessels was transferred to private vessel owners; however, the FFB when establishing the loan coded the loan as a government debt.

As required by the Under Secretary of Defense (Comptroller) memorandum of January 22, 1999, MSC is correctly recording these payments as an operating expense. However, the outstanding debt principal amount is reported in the NWCF Balance Sheet as an Other Asset to reconcile with the amount reported by the FFB through the trading partner elimination process. The misclassification by the FFB has generated this long-standing reporting problem. See Note 6 for additional disclosures.

As required by the Department of Defense Appropriations Act passed in December 1985, 10 percent of the fifth year termination value of the vessels must be obligated from Operation and Maintenance, Navy funds. This was completed as each vessel was delivered.

Note References

See Note 3, Fund Balance with Treasury and Note 6, Other Assets, for additional discussion on the Debt to the Federal Financing Bank.

For regulatory discussion on Debt, Net, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1015.

NOTE 14. ENVIRONMENTAL LIABILITIES AND DISPOSAL LIABILITIES

Not Applicable.

NOTE 15.A. OTHER LIABILITIES

As of September 30,	2004			2003
	Current Liability	Noncurrent Liability	Total	Total
(Amounts in thousands)				
1. Intragovernmental:				
A. Advances from Others	\$ 72,509	\$ 0	\$ 72,509	\$ 239,595
B. Deferred Credits	0	0	0	0
C. Deposit Funds and Suspense Account Liabilities	0	0	0	0
D. Resources Payable to Treasury	0	0	0	0
E. Disbursing Officer Cash	0	0	0	0
F. Nonenvironmental Disposal Liabilities:				
(1) National Defense PP&E (Nonnuclear)	0	0	0	0
(2) Excess/Obsolete Structures	0	0	0	0
(3) Conventional Munitions Disposal	0	0	0	0
(4) Other	0	0	0	0
G. Accounts Payable-- Cancelled Appropriations	0	0	0	0
H. Judgement Fund Liabilities	0	0	0	0
I. FECA Reimbursement to the Department of Labor	0	0	0	0
J. Capital Lease Liability	0	0	0	0
K. Other Liabilities	42,342	0	42,342	49,673
L. Total Intragovernmental Other Liabilities	<u>\$ 114,851</u>	<u>\$ 0</u>	<u>\$ 114,851</u>	<u>\$ 289,268</u>
2. Non-Federal:				
A. Accrued Funded Payroll and Benefits	\$ 746,226	\$ 0	\$ 746,226	\$ 726,494
B. Advances from Others	477,383	0	477,383	194,779
C. Deferred Credits	0	0	0	0
D. Loan Guarantee Liability	0	0	0	0
E. Liability for Subsidy Related to Undisbursed Loans	0	0	0	0
F. Deposit Funds and Suspense Accounts	341,793	0	341,793	235,588
G. Temporary Early Retirement Authority	0	0	0	0
H. Nonenvironmental Disposal Liabilities:				
(1) National Defense PP&E (Nonnuclear)	0	0	0	0
(2) Excess/Obsolete Structures	0	0	0	0
(3) Conventional Munitions Disposal	0	0	0	0
(4) Other	0	0	0	0
I. Accounts Payable--Cancelled Appropriations	0	0	0	0
J. Accrued Unfunded Annual Leave	0	0	0	0
K. Accrued Entitlement Benefits for Military Retirees and Survivors	0	0	0	0
L. Capital Lease Liability	0	0	0	0
M. Other Liabilities	4,113,706	8	4,113,714	3,001,030
N. Total Non-Federal Other Liabilities	<u>\$ 5,679,108</u>	<u>\$ 8</u>	<u>\$ 5,679,116</u>	<u>\$ 4,157,891</u>
3. Total Other Liabilities:	<u>\$ 5,793,959</u>	<u>\$ 8</u>	<u>\$ 5,793,967</u>	<u>\$ 4,447,159</u>

4. Other Information Pertaining to Other Liabilities:

Fluctuations and/or Abnormalities

On the balance sheet, Intragovernmental Other Liabilities decreased \$174,416 thousand, 60 percent, from FY 2003 to FY 2004. The Component business area reflects a decrease of \$162,608 thousand, which includes an adjustment of \$277,020 thousand for buyer side eliminations.

Approximately 85-90 percent of Intragovernmental Other Liabilities includes the Industrial Fund's contract accruals. Contract accruals are the costs of contractual services rendered by either commercial or government organizations, which are accrued over the anticipated life of each service contract. Accruals are rolled-up in the accounting system as Other Liabilities and should be adjusted based on paid vouchers. The Department of the Navy (DON) Financial Improvement Plan is addressing the accounting deficiencies of not posting contract accruals as accounts payable. The Navy Working Capital Fund (NWCF) will continue to reflect the abnormal accounts payable and other liabilities until the solution is implemented.

Non-Federal Accounts Receivable decreased from FY 2003 to FY 2004 in the amount of \$6,476 thousand or 55 percent as a result of reduced outstanding refunds receivable and interest reported in Mechanization of Contract Administration Services, (MOCAS).

In addition the increase is attributed to Depot Maintenance Shipyards growth in Advances for Revenue Recognition, which have been cross-walked within the Department of Defense Reporting System to Advances from Others. Specified projects at the Naval Shipyards are funded using fixed price versus the reimbursable method. This amount actually represents the difference between what the activity billed the customer and that which it actually earned as determined by what was physically accomplished on the job. Preliminary analysis indicates this amount would be more appropriately posted to Progress Payments - Work in Progress. A review of this amount will be included in the Department of the Navy Financial Improvement Plan.

Non-Federal Other Liabilities increased \$1,521,225 thousand, 37 percent, from FY 2003 to FY 2004. The Component business area had an increase of \$333,432 thousand that was attributed to Non-Federal Advances from Others which increased \$282,604 thousand, 145 percent, from FY 2003 to FY 2004. This amount is primarily attributable to a reclassification in the Component business area in the amount of \$277,020 thousand, to adjust for trading partner data. The \$1,044,000 thousand that was included FY 2003 was reclassified as a prior year adjustment. Also, the Navy Supply Management business area had an increase of \$1,306,495 thousand due to the reclassification of \$568,567 thousand abnormal balance and an increase of \$676,000 thousand in depot level repairable carcass returns.

Composition of Other Liabilities

Intragovernmental Other Liabilities represents liabilities of \$42,342 thousand for fringe benefits and the Voluntary Separation Incentive Program.

Non-federal Deposit Funds and Suspense Account Liabilities increased \$106,205 thousand, 45 percent, which include amounts for unsupported undistributed collections.

Non-federal Other Liabilities includes amounts that are significant portions of the total liabilities presented in the NWCF balance sheet. A breakout of the major components of Non-federal Other Liabilities follows:

- a. Accrual of Contractual Services represents an accrued liability for direct work performed by contractors or material and supplies purchased for a direct order in which a request for payment has not been received. The accrual is based on the level of effort performed for the direct order on a monthly basis.
- b. Depot Level Repairable Carcass Return Liability represents the value of returned depot level repairable carcasses that have been received by an accountable activity from an end-use activity but for which an issue has not yet been processed.

- c. Other Liabilities includes a \$(1,044,715) thousand allocation of unsupported undistributed disbursements. This allocation was based on the Defense Finance and Accounting Service memorandum dated October 10, 1997, which directed the allocation of undistributed disbursements to the DoD Military Services from their Defense Working Capital Fund corporate account. During FY 2004, the \$1,044,715 thousand was treated as a prior period adjustment.

The remainder of the Other Liabilities amount consists of Progress Payments, which show the balance of payments taken for accrued costs charged to Work in Process or the value of material procured and held for specific orders received from customers within the DoD.

Intragovernmental Reconciliation for Fiduciary Transactions with Department of Labor (DOL)

With respect to the major fiduciary balances, the NWCF was able to reconcile with the DOL.

Other Disclosures Related to Other Liabilities

No further disclosures required.

Note References

See Note 1.S., Significant Accounting Policies, for additional discussion on financial reporting requirements and the DoD policies governing Contingencies and Other Liabilities

NOTE 15.B. CAPITAL LEASE LIABILITY

Information Related to Capital Lease Liability:

The NWCF has no capital lease liability.

Other Disclosures Related to Capital Lease Liability

No further disclosures required.

Note Reference

See Note 1.Q., Significant Accounting Policies, for additional discussion on financial reporting requirements and the DoD policies governing Leases.

For regulatory discussion on Capital Lease Liability, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1017.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Information Related to Commitments and Contingencies:

The Navy Working Capital Fund (NWCF) is a party in various administrative proceedings and legal actions that may ultimately result in settlements or decisions adverse to the Federal Government. These proceedings and actions arise in the normal course of operations and their ultimate disposition is unknown. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. Others may be payable from the Department's resources, either directly or by reimbursement to the Judgment Fund. Based on information currently available, however, it is management's opinion that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the Department.

For fiscal years 2003 and 2004, the materiality threshold for reporting litigation, claims, or assessments was \$5.8 million and \$3.5 million, respectively. The amounts set forth above for civil and environmental litigation, claims, and assessments represent the aggregate of the amounts of claims, litigation or assessments considered to be significant for reporting purposes based on the established materiality thresholds. These amounts represent the maximum amounts of any potential liability of the Government based on the amounts claimed. Management does not consider it to be at all likely that the Government will be liable for such maximum amounts.

The NWCF reported a total amount of 10 cases in FY 2004. However, the Department of the Navy (DON) is unable to express an opinion concerning the likely outcome of these cases.

Reference

See Note Disclosure 1.S. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Contingencies and Other Liabilities.

For regulatory discussion on Commitments and Contingencies, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1018.

NOTE 17. MILITARY RETIREMENT BENEFITS AND OTHER EMPLOYMENT RELATED ACTUARIAL LIABILITIES

	2004				2003
	Actuarial Present Value of Projected Plan Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Actuarial Liability	Unfunded Actuarial Liability
As of September 30,					
<i>(Amount in Thousands)</i>					
1. Pension and Health Benefits:					
A. Military Retirement Pensions	\$ 0		\$ 0	\$ 0	\$ 0
B. Military Retirement Health Benefits	0		0	0	0
C. Medicare-Eligible Retiree Benefits	0		0	0	0
D. Total Pension and Health Benefits	\$ 0		\$ 0	\$ 0	\$ 0
2. Other					
A. FECA	\$ 1,168,225	4.883%	\$ 0	\$ 1,168,225	\$ 1,409,853
B. Voluntary Separation Incentive Programs	0		0	0	0
C. DoD Educational Benefits Fund	0		0	0	0
D. Total Other	\$ 1,168,225		\$ 0	\$ 1,168,225	\$ 1,409,853
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities:	\$ 1,168,225		\$ 0	\$ 1,168,225	\$ 1,409,853

4. Other Information Pertaining to Military Retirement Benefits and Other Employment-Related Actuarial Liabilities:

Actuarial Cost Method Used:

The Department of the Navy (DON) actuarial liability for workers' compensation benefits is developed by the Department of Labor (DOL) and provided to the DON at the end of each fiscal year. The liability is distributed between the Navy Working Capital Fund (NWCF) and DON General Fund based upon the number of civilian employees funded in each entity as reported in the Navy Budget Tracking System. The liability includes the

expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns to predict the ultimate payments.

Assumptions:

The projected annual benefit payments are discounted to the present value using the Office of Management and Budgets (OMB's) economic assumptions for 10-year U.S. Treasury notes and bonds. Cost-of-living adjustments and medical inflation factors are also applied to the calculation of projected future benefits. The interest rate assumptions used in the discount calculations were as follows as of September 30, 2004:

4.883 percent in year 1,
5.235 percent in year 2 and thereafter

Market Value of Investments in Market-based and Marketable Securities:

Not Applicable.

NOTE 18. UNEXPENDED APPROPRIATIONS

Not Applicable.

NOTE 19.A GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Disclosures Related to the Statement of Net Cost:

Fluctuations and/or Abnormalities

The overall increase of \$598,195 thousand, 136 percent, was attributed to the Component business area reclassifying expenses from intragovernmental to non-federal in order to adjust the trading partner data received from other federal reporting entities. The Statement of Net Cost reflects the circumstances and general business conditions of the Activities of the Navy Working Capital Fund (NWCF). In FY 2004, the business conditions of the NWCF included: reduction in new orders and workload changes; restraints on overhead; transition of Puget Sound Naval Shipyard out of NWCF; deferred maintenance and stabilized rate adjustments.

The goal of the Net Cost of Operations is to maintain an income and expense account that comes close to break even. It is not the goal of the U.S. Government to make a profit.

Composition of Statement of Net Cost

The NWCF generally records transactions on an accrual basis as required by federal generally accepted accounting principles. Information presented on the Statement of Net Cost represents the net result of post-closing adjustments and eliminating entries made in compiling and consolidating the NWCF financial statements. These entries significantly affected the reported amounts of Intragovernmental Program Cost, Program Cost with the Public, Earned Revenue and Net Program Cost. The post-closing adjustments were made in order to increase or decrease certain NWCF account balances reported as of September 30, 2004 to ensure agreement with related balances reported by other Department of Defense (DoD) activities and other federal reporting entities. Eliminating entries are required adjustments made as part of the financial process. This process enables the matching of trading partner data recorded at each financial statement consolidation level -- the NWCF, DoD and Federal Government levels.

Other Disclosures Related to the Statement of Net Cost

The Statement of Net Cost was impacted by recording a Prior Period Adjustment in the amount of \$103,258 thousand as a current year transaction in accordance with the federal accounting standards. See Note 20 for further disclosures.

NOTE 19.B. GROSS COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION

Not Applicable.

NOTE 19.C. GROSS COST TO GENERATE INTRAGOVERNMENTAL REVENUE AND EARNED REVENUE (TRANSACTIONS WITH OTHER FEDERAL-NON-DoD-ENTITIES) BY BUDGET FUNCTIONAL CLASSIFICATION

Not Applicable.

NOTE 19.D. IMPUTED EXPENSES

As of September 30, (Amount in thousands)	2004	2003
1. Civilian (e.g., CSRS/FERS) Retirement	\$ 243,406	\$ 270,127
2. Civilian Health	300,500	272,241
3. Civilian Life Insurance	980	1,013
4. Military Retirement Pension	0	0
5. Military Retirement Health	0	0
6. Judgment Fund	0	0
7. Total Imputed Expenses	<u>\$ 544,886</u>	<u>\$ 543,381</u>

8. Other Information**Related to Imputed Expense:**

The NWCF financial statements have recognized an imputed expense for civilian employee pensions, life insurance, and health benefits in the Statement of Net Cost. Imputed expenses for employee benefits were calculated using cost factors provided by the Office of Personnel Management (OPM) applied against gross basic pay for all categories of civilian service employees. The gross basic pay amounts were extracted directly from the Defense Civilian Pay System (DCPS). Judgment Fund claims are reported in the Navy General Fund statements and notes.

Other Disclosures Related to Imputed Expenses

No further disclosures required.

NOTE 19.E. BENEFIT PROGRAM EXPENSES

Not Applicable.

NOTE 19. F. EXCHANGE REVENUE

Disclosures related to the Exchange Revenue:

Definition

Exchange revenue arises when a government entity provides goods and services to the public or to another Government entity for a price, "earned revenue". Exchange revenue includes most user charges other than taxes, i.e., regulatory user charges.

Other Disclosures Related to Exchange Revenue

No further disclosures required.

Note Reference

For regulatory discussion on Exchange Revenue, see Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 102120.

NOTE 19.G. AMOUNTS FOR FOREIGN MILITARY SALES (FMS) PROGRAM PROCUREMENTS FROM CONTRACTORS

Not Applicable.

NOTE 19.H. STEWARDSHIP ASSETS

Not Applicable.

NOTE 19.I. INTRAGOVERNMENTAL REVENUE AND EXPENSE**Disclosures Related to Intergovernmental Revenue and Expense:**

Intragovernmental Revenue. The Navy Working Capital Fund (NWCF) accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the NWCF was unable to reconcile intragovernmental revenue balances with the majority of its trading partners. Action has been taken to reconcile some of the smaller accounts manually. Through an ongoing Business Management Modernization Program (BMMP), the Department of Defense (DoD) intends to develop long-term systems improvements that will capture the data necessary to perform reconciliations.

Intragovernmental Operating Expenses

The NWCF operating expenses were adjusted based on a comparison between the NWCF's accounts payable and the DoD summary level seller accounts receivable. Adjustments were posted to accounts payable and operating expenses to reflect the following reported balances: other trading partners; Federal Financing Bank (FFB) payments for debt; interest, penalties, fines & administrative fees data call; and resolution of abnormal accounts payables in accordance with current guidance. The operating expenses of the NWCF were adjusted downward in the net amount of \$905,726 thousand.

The Office of Management and Budget (OMB) has established a working group to review the current business practices in place to capture the data exchanged between federal agencies and to determine what changes need to be incorporated. The Department of the Navy (DON) has representation on the Office of the Under Secretary of Defense (Comptroller) group, which is working directly with OMB to ensure that all aspects (e.g., financial, logistics and security) of DoD are given full consideration. Based on the large volume of intragovernmental transactions that occur, this project is a major undertaking and will take several years to complete with the ultimate goal of having this process totally automated.

Other Disclosures Related to Exchange Revenue

No further disclosures required.

NOTE 19.J. SUBORGANIZATION PROGRAM COSTS

Not Applicable.

NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

As of September 30,	Cumulative Results of Operations 2004	Unexpended Appropriations 2004	Cumulative Results of Operations 2003	Unexpended Appropriations 2003
<i>(Amounts in thousands)</i>				
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance:				
A. Changes in Accounting Standards	\$ 0	\$ 0	\$ 0	\$ 0
B. Errors and Omissions in Prior Year Accounting Reports	0	0	0	0
C. Other Prior Period Adjustments	(1,044,715)	0	(1,044,715)	0
D. Total Prior Period Adjustments	<u>\$ (1,044,715)</u>	<u>\$ 0</u>	<u>\$ (1,044,715)</u>	<u>\$ 0</u>
2. Imputed Financing:				
A. Civilian CSRS/FERS Retirement	\$ 243,406	\$ 0	\$ 270,127	\$ 0
B. Civilian Health	300,500	0	272,241	0
C. Civilian Life Insurance	980	0	1,013	0
D. Military Retirement Pension	0	0	0	0
E. Military Retirement Health	0	0	0	0
F. Judgment Fund	0	0	0	0
G. Total Imputed Financing	<u>\$ 544,886</u>	<u>\$ 0</u>	<u>\$ 543,381</u>	<u>\$ 0</u>

3. Other Information:**Fluctuations and/or Abnormalities**

In FY 1995, the Department of the Navy received \$1,044,715 thousand in undistributed Net Outlays from the Office of the Secretary of Defense corporate account. This value was adjusted to the Navy Working Capital Fund (NWCF) Component business area.

Composition of Statement of Changes in Net Position

During FY 2004, the \$1,044,715 thousand was treated as a prior period adjustment. NWCF activities capture prior period adjustments in their accounting systems. Adjustments in the amount of \$103,258 thousand were reclassified to current year operations because their individual values did not meet the material threshold outlined in the OUSD(C) memo of June 8, 2003.

Based on Office of the Under Secretary of Defense (OUSD) (C) direction, amounts generated as prior period adjustments within the Cost of Goods Sold model were moved to inventory allowance accounts. The amounts are as follows:

<i>(Amount in thousands)</i>	FY 2004	FY 2003
Navy Supply Management	\$ (533,848)	\$ (951,964)
Marine Corps Supply Management	\$ (229)	\$ 178,768

The Other Budgetary Financing Sources line on the Statement of Changes in Net Position includes \$258,002 thousand for amounts reclassified to Other Gains or Other Losses from Transfers-In and Transfers-Out. Transfers-In amounts are required to agree with Transfers-Out amounts received from seller-side data.

Imputed Financing

The amounts remitted to the Office of Personnel Management (OPM) by and for employees covered by the Civil Service Retirement System, Federal Employee Retirement System, Federal Employees Health Benefits Program and the Federal Employee Group Life Insurance Program do not fully cover the Government's cost to provide these benefits. An imputed cost is recognized as the difference between the Government's cost of providing these benefits to the employees and contributions made by and for them. The OPM provides the cost factors to the Defense Finance and Accounting Service (DFAS) for computation of imputed financing cost. The DFAS provides the costs to OUSD(Personnel and Readiness) for validation. Approved imputed costs are provided to the reporting components for inclusion in their financial statements.

NOTE 21. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

As of September 30,	2004	2003
<i>(Amounts in thousands)</i>		
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 6,901,108	\$ 8,043,629
2. Available Borrowing and Contract Authority at the End of the Period	<u>6,156,853</u>	<u>5,880,543</u>

3. Other Information:

Fluctuations and/or Abnormalities

None.

Information Related to the Statement of Budgetary Resources:

The Statement of Budgetary Resources (SBR) is an image of the monthly Report on Budget Execution (Standard Form (SF) 133). These reports should be produced using budgetary accounts. However, the Navy Working Capital Fund (NWCF) uses proprietary accounts because its financial accounting systems were not designed to produce budgetary accounting data. The Department of the Navy (DON) and the Defense Finance and Accounting Service (DFAS) continue with the implementation of new accounting systems designed to produce both proprietary and budgetary reports and use the U.S. Standard General Ledger (USSGL). The Defense Industrial Financial Management System (DIFMS) has been fully implemented at all Research and Development (R&D) activities that were scheduled for conversion. R&D activity Space and Naval Warfare

Systems Command, San Diego has successfully implemented the Enterprise Resource Planning (ERP) System (Cabrillo) thus moving off DIFMS. Also, the Naval Air Warfare Centers (NAWCs) have moved from DIFMS to their ERP (SIGMA). The ERPs are programmed to complete the SBR at the activity level. The Defense Working Capital Fund Accounting System (DWAS) implementation continues to be implemented at the Base Support Activities.

As of September 30, 2004, the SBR does not measure the NWCF's budget execution against budgetary resources. Budgetary resources are recorded in the accounting records and reported on the basis of customer orders received and contract authority invoked. On these reports, the spending authority from offsetting collections during the period of execution is based upon the approved President's Budget estimate of anticipated customer orders. Further, there are system deficiencies that have been identified, which are being addressed in the DON Financial Improvement Plan.

For the SBR, Supply Management's revenue is defined as gross sales less credit returns. For the balance sheet, revenue does not include credit returns because the inventory valuation model considers credit returns as inventory allowances. The difference in "meanings" causes variances in the reports. On these budgetary reports, the net outlays (collections and disbursements) year to date are reported based on the amounts reported to the U.S. Treasury.

As of September 30, 2004, the differences between the U.S. Treasury and the NWCF activity ledgers have been minimal, and the cause is related to timing or the type of transactions. The differences are recorded as undistributed disbursements and collections on the departmental reports. While there may be no impact upon the U.S. Treasury balance, the above differences have created distortions in the accounts receivable and accounts payable from a budgetary reporting perspective on the SBR. Also, problems with undistributed collections and disbursements have created abnormal balances for accounts receivable and accounts payable on the SBR.

Intra-entity Transactions

The SBR does not include intra-entity transactions because the statements are presented as combined and combining.

Apportionment Categories

The amount of direct and reimbursable obligations incurred against amounts apportioned under categories A, B, and exempt from apportionment as required by OMB Bulletin 01-09 are as follows:

(Amounts in Thousands)

Obligations Incurred – Direct	Line 8A	\$	0
Obligations Incurred – Reimbursable	Line 8B	\$	24,316,447
Exempt from apportionment -	Line 9B	\$	0

Undelivered Orders

Undelivered Orders presented in the SBR includes Undelivered Orders-Unpaid for reimbursable funds.

Spending Authority from Offsetting Collections

Adjustments in funds that are temporarily not available pursuant to Public Law, and those that are permanently not available are not included in the Spending Authority from Offsetting Collections line on the SBR or the Spending Authority for Offsetting Collections line on the Statement of Financing.

Other Disclosures Related to the Statement of Budgetary Resources

No further disclosures required.

NOTE 22. DISCLOSURES RELATED TO THE STATEMENT OF FINANCING**Disclosures Related to the Statement of Financing:**

The Statement of Financing is designed to provide information on the total resources used by an entity, to explain how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations. It is designed to report the differences and facilitate the reconciliation of accrual-based amounts used in the Statement of Net Cost and obligation-based amounts used in the Statement of Budgetary Resources. The computations and presentation of items in the Statement of Financing demonstrate that the budgetary and proprietary information in an entity's financial management system is in agreement.

The Defense Finance and Accounting Service (DFAS) Navy Working Capital Fund (NWCF) accounting systems and Navy Enterprise Resource Planning (ERP), include budgetary accounts. However some of the legacy NWCF accounting systems do not. As a result, the Statement of Budgetary Resources (SBR) is generated by DFAS using data extracted from the proprietary accounts.

The detailed level of information required to appropriately complete the SBR is being developed for those activities that cannot provide the data due to system deficiencies. Due to the system deficiencies, the Statement of Financing line, Resources that Finance the Acquisition of Assets, was adjusted upward by \$2,209,934 thousand.

Intra-entity transactions have not been eliminated because statements are presented as combined and combining.

Other Disclosures Related to the Statement of Financing

No further disclosures required.

NOTE 23. DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY

Not Applicable.

NOTE 24.A. OTHER DISCLOSURES**Entity as Lessee - Operating Leases**

As of September 30,							2004				2003	
(Amounts in thousands)												
Future Payments Due:		Land and Buildings		Equipment		Other		Total		Total		
<u>Fiscal Year</u>												
2005		\$	0	\$	0	\$	0	\$	0	\$	511	
2006			0		0		0		0		0	
2007			0		0		0		0		0	
2008			0		0		0		0		0	
2009			0		0		0		0		0	
After 5 Years			0		0		0		0		0	
Total Future Lease												
Payments Due		\$	0	\$	0	\$	0	\$	0	\$	511	

Fluctuations and/or Abnormalities

The Military Sealift Command (MSC) had an operating lease for a corporate data center, which commenced December 1, 1999 for a lease period of one year with three option years. MSC exercised the final option to buy the equipment prior to the end of FY 2004 in the amount of \$494 thousand.

Definitions

Lessee - A person or entity who receives the use and possession of leased property (e.g. real estate or equipment) from a lessor in exchange for a payment of funds.

Operating Lease - A lease which does not transfer substantially all the benefits and risks of ownership. Payments should be charged to expense over the lease term as it becomes payable.

Land and Building Leases consist of:**Description of Leases:**

None.

Equipment Leases consist of:

None.

Other Leases consist of:

None.

NOTE 24.B. OTHER DISCLOSURES

Not Applicable.



DEPARTMENT OF THE NAVY

NAVY WORKING CAPITAL FUND SUPPORTING CONSOLIDATING/COMBINING STATEMENTS

Department of Defense
Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
As of September 30, 2004 and 2003
(\$ in thousands)

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps	Ordnance
ASSETS (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)				
Entity	\$ 390,127	\$ 59,035	\$ (33,400)	\$ 31,211
Non-Entity Seized Iraqi Cash	0	0	0	0
Non-Entity - Other	0	0	0	0
Investments (Note 4)	0	0	0	0
Accounts Receivable (Note 5)	12,622	77,089	13,051	1
Other Assets (Note 6)	0	0	12	0
Total Intragovernmental Assets	<u>\$ 402,749</u>	<u>\$ 136,124</u>	<u>\$ (20,337)</u>	<u>\$ 31,212</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0	\$ 0	\$ 0
Accounts Receivable (Note 5)	170	345	168	0
Loans Receivable (Note 8)	0	0	0	0
Inventory and Related Property (Note 9)	194,782	482,857	75,509	0
General Property, Plant and Equipment (Note 10)	660,252	349,981	51,708	140
Investments (Note 4)	0	0	0	0
Other Assets (Note 6)	74,319	2,724	0	0
TOTAL ASSETS	<u><u>\$ 1,332,272</u></u>	<u><u>\$ 972,031</u></u>	<u><u>\$ 107,048</u></u>	<u><u>\$ 31,352</u></u>
LIABILITIES (Note 11)				
Intragovernmental:				
Accounts Payable (Note 12)	\$ 17,340	\$ 232,530	\$ 35,558	\$ 5,655
Debt (Note 13)	0	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0
Other Liabilities (Note 15 & Note 16)	49,084	4,798	8,691	0
Total Intragovernmental Liabilities	<u>\$ 66,424</u>	<u>\$ 237,328</u>	<u>\$ 44,249</u>	<u>\$ 5,655</u>
Accounts Payable (Note 12)	\$ 48,666	\$ 27,190	\$ 9,863	\$ 4,641
Military Retirement Benefits and Other				
Employment-Related Actuarial Liabilities (Note 17)	0	0	22,365	0
Environmental Liabilities (Note 14)	0	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0	0
Other Liabilities (Note 15 and Note 16)	270,258	276,612	5,621	8,182
Debt Held by Public (Note 13)	0	0	0	0
TOTAL LIABILITIES	<u><u>\$ 385,348</u></u>	<u><u>\$ 541,130</u></u>	<u><u>\$ 82,098</u></u>	<u><u>\$ 18,478</u></u>
NET POSITION				
Unexpended Appropriations (Note 18)	\$ 0	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	946,924	430,901	24,950	12,874
TOTAL NET POSITION	<u><u>\$ 946,924</u></u>	<u><u>\$ 430,901</u></u>	<u><u>\$ 24,950</u></u>	<u><u>\$ 12,874</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,332,272</u></u>	<u><u>\$ 972,031</u></u>	<u><u>\$ 107,048</u></u>	<u><u>\$ 31,352</u></u>

Department of Defense
Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
As of September 30, 2004 and 2003
(\$ in thousands)

	<u>Transportation</u>	<u>Base Support</u>	<u>Research & Development</u>	<u>Supply Management</u>
ASSETS (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)				
Entity	\$ 286,324	\$ 178,398	\$ 1,131,923	\$ (943,264)
Non-Entity Seized Iraqi Cash	0	0	0	0
Non-Entity - Other	0	0	0	0
Investments (Note 4)	0	0	0	0
Accounts Receivable (Note 5)	98,318	156,404	40,962	180,053
Other Assets (Note 6)	0	0	(52)	0
Total Intragovernmental Assets	<u>\$ 384,642</u>	<u>\$ 334,802</u>	<u>\$ 1,172,833</u>	<u>\$ (763,211)</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0	\$ 0	\$ 0
Accounts Receivable (Note 5)	260	22,077	58,385	(37,657)
Loans Receivable (Note 8)	0	0	0	0
Inventory and Related Property (Note 9)	3,359	25,965	423,534	18,033,186
General Property, Plant and Equipment (Note 10)	44,085	669,697	1,562,410	557,269
Investments (Note 4)	0	0	0	0
Other Assets (Note 6)	499,745	1,320	22,745	116,393
TOTAL ASSETS	<u><u>\$ 932,091</u></u>	<u><u>\$ 1,053,861</u></u>	<u><u>\$ 3,239,907</u></u>	<u><u>\$ 17,905,980</u></u>
LIABILITIES (Note 11)				
Intragovernmental:				
Accounts Payable (Note 12)	\$ 58,011	\$ 31,593	\$ (104,113)	\$ 607,304
Debt (Note 13)	506,278	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0
Other Liabilities (Note 15 & Note 16)	3,092	4,339	202,063	55,888
Total Intragovernmental Liabilities	<u>\$ 567,381</u>	<u>\$ 35,932</u>	<u>\$ 97,950</u>	<u>\$ 663,192</u>
Accounts Payable (Note 12)	\$ 340,937	\$ 160,902	\$ 728,336	\$ 514,214
Military Retirement Benefits and Other				
Employment-Related Actuarial Liabilities (Note 17)	0	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0	0
Other Liabilities (Note 15 and Note 16)	49,533	117,179	2,260,277	2,137,570
Debt Held by Public (Note 13)	0	0	0	0
TOTAL LIABILITIES	<u><u>\$ 957,851</u></u>	<u><u>\$ 314,013</u></u>	<u><u>\$ 3,086,563</u></u>	<u><u>\$ 3,314,976</u></u>
NET POSITION				
Unexpended Appropriations (Note 18)	\$ 0	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	(25,760)	739,848	153,344	14,591,004
TOTAL NET POSITION	<u><u>\$ (25,760)</u></u>	<u><u>\$ 739,848</u></u>	<u><u>\$ 153,344</u></u>	<u><u>\$ 14,591,004</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 932,091</u></u>	<u><u>\$ 1,053,861</u></u>	<u><u>\$ 3,239,907</u></u>	<u><u>\$ 17,905,980</u></u>

Department of Defense
Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
As of September 30, 2004 and 2003
(\$ in thousands)

	Component Level	Combined Total	Eliminations
ASSETS (Note 2)			
Intragovernmental:			
Fund Balance with Treasury (Note 3)			
Entity	\$ (239,111)	\$ 861,243	\$ 0
Non-Entity Seized Iraqi Cash	0	0	0
Non-Entity - Other	0	0	0
Investments (Note 4)	0	0	0
Accounts Receivable (Note 5)	279,019	857,519	0
Other Assets (Note 6)	55	15	0
Total Intragovernmental Assets	\$ 39,963	\$ 1,718,777	\$ 0
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0	\$ 0
Accounts Receivable (Note 5)	(17,558)	26,190	0
Loans Receivable (Note 8)	0	0	0
Inventory and Related Property (Note 9)	0	19,239,192	0
General Property, Plant and Equipment (Note 10)	0	3,895,542	0
Investments (Note 4)	0	0	0
Other Assets (Note 6)	(55)	717,191	0
TOTAL ASSETS	\$ 22,350	\$ 25,596,892	\$ 0
LIABILITIES (Note 11)			
Intragovernmental:			
Accounts Payable (Note 12)	\$ (639,896)	\$ 243,982	\$ 0
Debt (Note 13)	0	506,278	0
Environmental Liabilities (Note 14)	0	0	0
Other Liabilities (Note 15 & Note 16)	(213,104)	114,851	0
Total Intragovernmental Liabilities	\$ (853,000)	\$ 865,111	\$ 0
Accounts Payable (Note 12)	\$ 27,818	\$ 1,862,567	\$ 0
Military Retirement Benefits and Other			0
Employment-Related Actuarial Liabilities (Note 17)	1,145,860	1,168,225	
Environmental Liabilities (Note 14)	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0
Other Liabilities (Note 15 and Note 16)	553,884	5,679,116	0
Debt Held by Public (Note 13)	0	0	0
TOTAL LIABILITIES	\$ 874,562	\$ 9,575,019	\$ 0
NET POSITION			
Unexpended Appropriations (Note 18)	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	(852,212)	16,021,873	0
TOTAL NET POSITION	\$ (852,212)	\$ 16,021,873	\$ 0
TOTAL LIABILITIES AND NET POSITION	\$ 22,350	\$ 25,596,892	\$ 0

Department of Defense
Navy Working Capital Fund
CONSOLIDATING BALANCE SHEET
As of September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Consolidated</u>	<u>2003 Consolidated</u>
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)		
Entity	\$ 861,243	\$ 1,827,646
Non-Entity Seized Iraqi Cash	0	0
Non-Entity - Other	0	0
Investments (Note 4)	0	0
Accounts Receivable (Note 5)	857,519	582,773
Other Assets (Note 6)	15	10,392
Total Intragovernmental Assets	<u>\$ 1,718,777</u>	<u>\$ 2,420,811</u>
Cash and Other Monetary Assets (Note 7)	\$ 0	\$ 0
Accounts Receivable (Note 5)	26,190	111,775
Loans Receivable (Note 8)	0	0
Inventory and Related Property (Note 9)	19,239,192	18,256,128
General Property, Plant and Equipment (Note 10)	3,895,542	4,323,910
Investments (Note 4)	0	0
Other Assets (Note 6)	717,191	868,808
TOTAL ASSETS	<u><u>\$ 25,596,892</u></u>	<u><u>\$ 25,981,432</u></u>
LIABILITIES (Note 11)		
Intragovernmental:		
Accounts Payable (Note 12)	\$ 243,982	\$ 313,786
Debt (Note 13)	506,278	615,648
Environmental Liabilities (Note 14)	0	0
Other Liabilities (Note 15 & Note 16)	114,851	289,268
Total Intragovernmental Liabilities	<u>\$ 865,111</u>	<u>\$ 1,218,702</u>
Accounts Payable (Note 12)	\$ 1,862,567	\$ 2,102,870
Military Retirement Benefits and Other		
Employment-Related Actuarial Liabilities (Note 17)	1,168,225	1,409,853
Environmental Liabilities (Note 14)	0	0
Loan Guarantee Liability (Note 8)	0	0
Other Liabilities (Note 15 and Note 16)	5,679,116	4,157,892
Debt Held by Public (Note 13)	0	0
TOTAL LIABILITIES	<u><u>\$ 9,575,019</u></u>	<u><u>\$ 8,889,317</u></u>
NET POSITION		
Unexpended Appropriations (Note 18)	\$ 0	\$ 0
Cumulative Results of Operations	16,021,873	17,092,115
TOTAL NET POSITION	<u><u>\$ 16,021,873</u></u>	<u><u>\$ 17,092,115</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 25,596,892</u></u>	<u><u>\$ 25,981,432</u></u>

Department of Defense
Navy Working Capital Fund
CONSOLIDATING STATEMENT OF NET COST
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Total</u>	<u>Eliminations</u>	<u>2004 Consolidated</u>	<u>2003 Consolidated</u>
Program Costs				
Base Support				
Intragovernmental Gross Costs	\$ 985,405	\$ 0	\$ 985,405	\$ 1,008,827
(Less Intragovernmental Earned Revenue)	(1,602,991)	0	(1,602,991)	(1,584,722)
Intragovernmental Net Costs	<u>\$ (617,586)</u>	<u>\$ 0</u>	<u>\$ (617,586)</u>	<u>\$ (575,895)</u>
Gross Costs With the Public	\$ 595,987	0	595,987	560,902
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	<u>\$ 595,987</u>	<u>\$ 0</u>	<u>\$ 595,987</u>	<u>\$ 560,902</u>
Net Program Cost	<u>\$ (21,599)</u>	<u>\$ 0</u>	<u>\$ (21,599)</u>	<u>\$ (14,993)</u>
Component Level				
Intragovernmental Gross Costs	\$ (4,319,029)	\$ 0	\$ (4,319,029)	\$ (5,265,821)
(Less Intragovernmental Earned Revenue)	2,777,999	0	2,777,999	3,370,279
Intragovernmental Net Costs	<u>\$ (1,541,030)</u>	<u>\$ 0</u>	<u>\$ (1,541,030)</u>	<u>\$ (1,895,542)</u>
Gross Costs With the Public	\$ 2,311,441	0	2,311,441	1,763,338
(Less: Earned Revenue From the Public)	(539,417)	0	(539,417)	(750,905)
Net Costs With the Public	<u>\$ 1,772,024</u>	<u>\$ 0</u>	<u>\$ 1,772,024</u>	<u>\$ 1,012,433</u>
Net Program Cost	<u>\$ 230,994</u>	<u>\$ 0</u>	<u>\$ 230,994</u>	<u>\$ (883,109)</u>
Depot Maintenance, Aviation				
Intragovernmental Gross Costs	\$ 1,179,235	\$ 0	\$ 1,179,235	\$ 1,333,506
(Less Intragovernmental Earned Revenue)	(2,218,932)	0	(2,218,932)	(2,355,599)
Intragovernmental Net Costs	<u>\$ (1,039,697)</u>	<u>\$ 0</u>	<u>\$ (1,039,697)</u>	<u>\$ (1,022,093)</u>
Gross Costs With the Public	\$ 1,032,649	0	1,032,649	945,884
(Less: Earned Revenue From the Public)	0	0	0	(12,226)
Net Costs With the Public	<u>\$ 1,032,649</u>	<u>\$ 0</u>	<u>\$ 1,032,649</u>	<u>\$ 933,658</u>
Net Program Cost	<u>\$ (7,048)</u>	<u>\$ 0</u>	<u>\$ (7,048)</u>	<u>\$ (88,435)</u>
Depot Maintenance, Marine Corps				
Intragovernmental Gross Costs	\$ 331,518	\$ 0	\$ 331,518	\$ 20,163
(Less Intragovernmental Earned Revenue)	(324,480)	0	(324,480)	(224,548)
Intragovernmental Net Costs	<u>\$ 7,038</u>	<u>\$ 0</u>	<u>\$ 7,038</u>	<u>\$ (204,385)</u>
Gross Costs With the Public	\$ (11,652)	0	(11,652)	222,057
(Less: Earned Revenue From the Public)	(3,927)	0	(3,927)	(3,578)
Net Costs With the Public	<u>\$ (15,579)</u>	<u>\$ 0</u>	<u>\$ (15,579)</u>	<u>\$ 218,479</u>
Net Program Cost	<u>\$ (8,541)</u>	<u>\$ 0</u>	<u>\$ (8,541)</u>	<u>\$ 14,094</u>

Department of Defense
Navy Working Capital Fund
CONSOLIDATING STATEMENT OF NET COST
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	2004 Total	Eliminations	2004 Consolidated	2003 Consolidated
Program Costs				
Depot Maintenance, Shipyards				
Intragovernmental Gross Costs	\$ 826,312	\$ 0	\$ 826,312	\$ 1,019,640
(Less Intragovernmental Earned Revenue)	(2,241,481)	0	(2,241,481)	(2,750,642)
Intragovernmental Net Costs	<u>\$ (1,415,169)</u>	<u>\$ 0</u>	<u>\$ (1,415,169)</u>	<u>\$ (1,731,002)</u>
Gross Costs With the Public	\$ 1,482,587	0	1,482,587	1,650,127
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	<u>\$ 1,482,587</u>	<u>\$ 0</u>	<u>\$ 1,482,587</u>	<u>\$ 1,650,127</u>
Net Program Cost	<u>\$ 67,418</u>	<u>\$ 0</u>	<u>\$ 67,418</u>	<u>\$ (80,875)</u>
Ordnance				
Intragovernmental Gross Costs	\$ (8,104)	\$ 0	\$ (8,104)	\$ 71
(Less Intragovernmental Earned Revenue)	1	0	1	(926)
Intragovernmental Net Costs	<u>\$ (8,103)</u>	<u>\$ 0</u>	<u>\$ (8,103)</u>	<u>\$ (855)</u>
Gross Costs With the Public	\$ 21	0	21	512
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	<u>\$ 21</u>	<u>\$ 0</u>	<u>\$ 21</u>	<u>\$ 512</u>
Net Program Cost	<u>\$ (8,082)</u>	<u>\$ 0</u>	<u>\$ (8,082)</u>	<u>\$ (343)</u>
Transportation				
Intragovernmental Gross Costs	\$ 439,176	\$ 0	\$ 439,176	\$ 1,299,609
(Less Intragovernmental Earned Revenue)	(1,792,429)	0	(1,792,429)	(1,844,089)
Intragovernmental Net Costs	<u>\$ (1,353,253)</u>	<u>\$ 0</u>	<u>\$ (1,353,253)</u>	<u>\$ (544,480)</u>
Gross Costs With the Public	\$ 1,338,020	0	1,338,020	489,538
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	<u>\$ 1,338,020</u>	<u>\$ 0</u>	<u>\$ 1,338,020</u>	<u>\$ 489,538</u>
Net Program Cost	<u>\$ (15,233)</u>	<u>\$ 0</u>	<u>\$ (15,233)</u>	<u>\$ (54,942)</u>
Research & Development				
Intragovernmental Gross Costs	\$ 5,854,980	\$ 0	\$ 5,854,980	\$ 5,822,619
(Less Intragovernmental Earned Revenue)	(10,260,468)	0	(10,260,468)	(9,585,868)
Intragovernmental Net Costs	<u>\$ (4,405,488)</u>	<u>\$ 0</u>	<u>\$ (4,405,488)</u>	<u>\$ (3,763,249)</u>
Gross Costs With the Public	\$ 4,441,537	0	4,441,537	3,750,586
(Less: Earned Revenue From the Public)	622	0	622	0
Net Costs With the Public	<u>\$ 4,442,159</u>	<u>\$ 0</u>	<u>\$ 4,442,159</u>	<u>\$ 3,750,586</u>
Net Program Cost	<u>\$ 36,671</u>	<u>\$ 0</u>	<u>\$ 36,671</u>	<u>\$ (12,663)</u>

Department of Defense
Navy Working Capital Fund
CONSOLIDATING STATEMENT OF NET COST
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Total</u>	<u>Eliminations</u>	<u>2004 Consolidated</u>	<u>2003 Consolidated</u>
Program Costs				
Supply Management				
Intragovernmental Gross Costs	\$ 145,488	\$ 0	\$ 145,488	\$ 183,636
(Less Intragovernmental Earned Revenue)	<u>(6,036,154)</u>	<u>0</u>	<u>(6,036,154)</u>	<u>(6,895,749)</u>
Intragovernmental Net Costs	\$ <u>(5,890,666)</u>	\$ <u>0</u>	\$ <u>(5,890,666)</u>	\$ <u>(6,712,113)</u>
Gross Costs With the Public	\$ 6,725,024	0	6,725,024	8,273,309
(Less: Earned Revenue From the Public)	<u>(70,813)</u>	<u>0</u>	<u>(70,813)</u>	<u>0</u>
Net Costs With the Public	\$ <u>6,654,211</u>	\$ <u>0</u>	\$ <u>6,654,211</u>	\$ <u>8,273,309</u>
Net Program Cost	\$ 763,545	\$ 0	\$ 763,545	\$ 1,561,196
Total Program Costs				
Intragovernmental Gross Costs	\$ 5,434,981	\$ 0	\$ 5,434,981	\$ 5,422,250
(Less Intragovernmental Earned Revenue)	<u>(21,698,935)</u>	<u>0</u>	<u>(21,698,935)</u>	<u>(21,871,864)</u>
Intragovernmental Net Costs	\$ <u>(16,263,954)</u>	\$ <u>0</u>	\$ <u>(16,263,954)</u>	\$ <u>(16,449,614)</u>
Gross Costs With the Public	\$ 17,915,614	0	17,915,614	17,656,253
(Less: Earned Revenue From the Public)	<u>(613,535)</u>	<u>0</u>	<u>(613,535)</u>	<u>(766,709)</u>
Net Costs With the Public	\$ <u>17,302,079</u>	\$ <u>0</u>	\$ <u>17,302,079</u>	\$ <u>16,889,544</u>
Net Program Cost	\$ 1,038,125	\$ 0	\$ 1,038,125	\$ 439,930
Costs Not Assigned to Programs	0	0	0	0
(Less: Earned Revenue Not Attributable to Programs)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cost of Operations	\$ <u>1,038,125</u>	\$ <u>0</u>	\$ <u>1,038,125</u>	\$ <u>439,930</u>

Department of Defense
Navy Working Capital Fund

CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2004 and 2003

(\$ in thousands)

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps	Ordnance
Cumulative Results of Operations				
Beginning Balances	\$ 1,053,728	\$ 420,294	\$ 58,480	\$ 167,592
Prior period adjustments (+/-)				
Prior Period Adjustments - Restated (+/-)	0	0	0	0
Beginning Balance, Restated	1,053,728	420,294	58,480	167,592
Prior Period Adjustments - Not Restated (+/-)	(911)	0	0	
Beginning Balances, as adjusted	\$ 1,052,817	\$ 420,294	\$ 58,480	\$ 167,592
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	0	0	0
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	(42,800)
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	(38,474)	3,559	(50,573)	(120,000)
Imputed financing from costs absorbed by others	0	0	8,501	0
Other (+/-)	0	0	0	0
Total Financing Sources	\$ (38,474)	\$ 3,559	\$ (42,072)	\$ (162,800)
Net Cost of Operations (+/-)	\$ 67,418	\$ (7,048)	\$ (8,541)	\$ (8,082)
Ending Balances	\$ 946,925	\$ 430,901	\$ 24,949	\$ 12,874
Unexpended Appropriations				
Beginning Balances	\$ 0	\$ 0	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0	0	0
Beginning Balances, as adjusted	\$ 0	\$ 0	\$ 0	\$ 0
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	0	0	0
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
Total Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Cost of Operations (+/-)	\$ 0	\$ 0	\$ 0	\$ 0
Ending Balances	\$ 0	\$ 0	\$ 0	\$ 0

Department of Defense
Navy Working Capital Fund
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	Transportation	Base Support	Research & Development	Supply Management
Cumulative Results of Operations				
Beginning Balances	\$ (40,575)	\$ 743,193	\$ 554,407	\$ 15,914,791
Prior period adjustments (+/-)				
Prior Period Adjustments - Restated (+/-)	0	0	0	0
Beginning Balance, Restated	(40,575)	743,193	554,407	15,914,791
Prior Period Adjustments - Not Restated (+/-)	0	10	0	(102,357)
Beginning Balances, as adjusted	\$ (40,575)	\$ 743,203	\$ 554,407	\$ 15,812,434
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	40,524	0
Appropriations used	0	0	0	130,446
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	45,184
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	(419)	(24,954)	(404,916)	(633,515)
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
Total Financing Sources	\$ (419)	\$ (24,954)	\$ (364,392)	\$ (457,885)
Net Cost of Operations (+/-)	\$ (15,233)	\$ (21,599)	\$ 36,671	\$ 763,545
Ending Balances	\$ (25,761)	\$ 739,848	\$ 153,344	\$ 14,591,004
Unexpended Appropriations				
Beginning Balances	\$ 0	\$ 0	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0	0	0
Beginning Balances, as adjusted	\$ 0	\$ 0	\$ 0	\$ 0
Budgetary Financing Sources:				
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 130,446
Appropriations transferred in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	0	0	(130,446)
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
Other Financing Sources:				
Donations and forfeitures of property	0	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0	0
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
Total Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Cost of Operations (+/-)	\$ 0	\$ 0	\$ 0	\$ 0
Ending Balances	\$ 0	\$ 0	\$ 0	\$ 0

Department of Defense
Navy Working Capital Fund

CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2004 and 2003

(\$ in thousands)

	Component Level	Combined Total	Eliminations
Cumulative Results of Operations			
Beginning Balances	\$ (735,080)	\$ 18,136,830	\$ 0
Prior period adjustments (+/-)			
Prior Period Adjustments - Restated (+/-)	(1,044,715)	(1,044,715)	
Beginning Balance, Restated	(1,779,795)	17,092,115	
Prior Period Adjustments - Not Restated (+/-)	103,258	0	0
Beginning Balances, as adjusted	\$ (1,676,537)	\$ 17,092,115	\$ 0
Budgetary Financing Sources:			
Appropriations Received	\$ 0	\$ 0	\$ 0
Appropriations transferred in/out (+/-)	0	0	0
Other adjustments (rescissions, etc) (+/-)	(40,524)	0	0
Appropriations used	0	130,446	0
Nonexchange revenue	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0
Transfers in/out without reimbursement (+/-)	(290,184)	(287,800)	0
Other budgetary financing sources (+/-)	(419,775)	(419,775)	0
Other Financing Sources:			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	1,269,418	126	0
Imputed financing from costs absorbed by others	536,385	544,886	0
Other (+/-)	0	0	0
Total Financing Sources	\$ 1,055,320	\$ (32,117)	\$ 0
Net Cost of Operations (+/-)	\$ 230,994	\$ 1,038,125	\$ 0
Ending Balances	\$ (852,211)	\$ 16,021,873	\$ 0
Unexpended Appropriations			
Beginning Balances	\$ 0	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0	0
Beginning Balances, as adjusted	\$ 0	\$ 0	\$ 0
Budgetary Financing Sources:			
Appropriations Received	\$ 0	\$ 130,446	\$ 0
Appropriations transferred in/out (+/-)	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0
Appropriations used	0	(130,446)	0
Nonexchange revenue	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0
Other budgetary financing sources (+/-)	0	0	0
Other Financing Sources:			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	0	0	0
Imputed financing from costs absorbed by others	0	0	0
Other (+/-)	0	0	0
Total Financing Sources	\$ 0	\$ 0	\$ 0
Net Cost of Operations (+/-)	\$ 0	\$ 0	\$ 0
Ending Balances	\$ 0	\$ 0	\$ 0

Department of Defense
Navy Working Capital Fund
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	2004 Consolidated	2003 Consolidated
Cumulative Results of Operations		
Beginning Balances	\$ 18,136,830	\$ 18,006,706
Prior period adjustments (+/-)		
Prior Period Adjustments - Restated (+/-)	(1,044,715)	(1,044,715)
Beginning Balance, Restated	17,092,115	16,961,991
Prior Period Adjustments - Not Restated (+/-)	0	0
Beginning Balances, as adjusted	\$ 17,092,115	16,961,991
Budgetary Financing Sources:		
Appropriations Received	\$ 0	0
Appropriations transferred in/out (+/-)	0	0
Other adjustments (rescissions, etc) (+/-)	0	0
Appropriations used	130,446	40,200
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	(287,800)	0
Other budgetary financing sources (+/-)	(419,775)	0
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	126	(13,527)
Imputed financing from costs absorbed by others	544,886	543,381
Other (+/-)	0	0
Total Financing Sources	\$ (32,117)	570,054
Net Cost of Operations (+/-)	\$ 1,038,125	439,930
Ending Balances	\$ 16,021,873	\$ 17,092,115
Unexpended Appropriations		
Beginning Balances	\$ 0	\$ 0
Prior period adjustments (+/-)	0	0
Beginning Balances, as adjusted	\$ 0	\$ 0
Budgetary Financing Sources:		
Appropriations Received	\$ 130,446	\$ 40,200
Appropriations transferred in/out (+/-)	0	0
Other adjustments (rescissions, etc) (+/-)	0	0
Appropriations used	(130,446)	(40,200)
Nonexchange revenue	0	0
Donations and forfeitures of cash and cash equivalents	0	0
Transfers in/out without reimbursement (+/-)	0	0
Other budgetary financing sources (+/-)	0	0
Other Financing Sources:		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	0	0
Imputed financing from costs absorbed by others	0	0
Other (+/-)	0	0
Total Financing Sources	\$ 0	\$ 0
Net Cost of Operations (+/-)	\$ 0	\$ 0
Ending Balances	\$ 0	\$ 0

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps
BUDGETARY RESOURCES			
Budget Authority:			
Appropriations Received	\$ 0	\$ 0	\$ 0
Borrowing Authority	0	0	0
Contract Authority	22,162	58,804	3,881
Net transfers (+/-)	0	0	0
Other	0	0	0
Unobligated Balance:			
Beginning of period	1,280,688	977,482	119,505
Net transfers, actual (+/-)	0	0	0
Anticipated Transfers Balances	0	0	0
Spending Authority from Offsetting Collections:			
Earned			
Collected	2,326,063	1,988,051	335,370
Receivable from Federal sources	2,778	(66,997)	(7,118)
Change in unfilled customer orders			
Advances received	(82,519)	5,535	617
Without advance from Federal sources	(1,014,455)	(309,249)	33,454
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	\$ 1,231,867	\$ 1,617,340	\$ 362,323
Recoveries of prior year obligations	0	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	(4,020)	(36,282)	0
Total Budgetary Resources	\$ 2,530,697	\$ 2,617,344	\$ 485,709

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred:			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable	2,162,146	1,712,449	337,336
Subtotal	<u>\$ 2,162,146</u>	<u>\$ 1,712,449</u>	<u>\$ 337,336</u>
Unobligated balance:			
Apportioned	\$ 368,551	904,894	148,373
Exempt from apportionment	0	0	0
Other available	0	1	0
Unobligated Balances Not Available	0	0	0
Total, Status of Budgetary Resources	<u><u>\$ 2,530,697</u></u>	<u><u>\$ 2,617,344</u></u>	<u><u>\$ 485,709</u></u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:			
Obligated Balance, Net-beginning of period	\$ (604,825)	\$ (50,372)	\$ (99,183)
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, net-end of period:			
Accounts Receivable	(11,508)	(74,443)	(13,218)
Unfilled customer order from Federal sources	(491,963)	(601,970)	(167,210)
Undelivered Orders	403,252	163,963	43,145
Accounts Payable	331,036	529,991	59,116
Outlays:			
Disbursements	2,338,181	2,020,783	289,984
Collections	(2,243,544)	(1,993,586)	(335,987)
Subtotal	<u>\$ 94,637</u>	<u>\$ 27,197</u>	<u>\$ (46,003)</u>
Less: Offsetting receipts	0	0	0
Net Outlays	<u><u>\$ 94,637</u></u>	<u><u>\$ 27,197</u></u>	<u><u>\$ (46,003)</u></u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
BUDGETARY RESOURCES			
Budget Authority:			
Appropriations Received	\$ 0	\$ 0	\$ 0
Borrowing Authority	0	0	0
Contract Authority	0	13,100	19,063
Net transfers (+/-)	0	0	0
Other	0	0	0
Unobligated Balance:			
Beginning of period	210,328	210,634	237,706
Net transfers, actual (+/-)	(42,800)	0	0
Anticipated Transfers Balances	0	0	0
Spending Authority from Offsetting Collections:			
Earned			
Collected	410	1,837,235	1,642,345
Receivable from Federal sources	(825)	(44,940)	(22,486)
Change in unfilled customer orders			
Advances received	0	0	(19,893)
Without advance from Federal sources	(15,027)	(27,326)	(13,143)
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	\$ (15,442)	\$ 1,764,969	\$ 1,586,823
Recoveries of prior year obligations	\$ 0	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	0	(108,143)	(1,424)
Total Budgetary Resources	\$ 152,086	\$ 1,880,560	\$ 1,842,168

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred:			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable	104,513	1,689,098	1,499,704
Subtotal	<u>\$ 104,513</u>	<u>\$ 1,689,098</u>	<u>\$ 1,499,704</u>
Unobligated balance:			
Apportioned	\$ 47,573	191,462	342,464
Exempt from apportionment	0	0	0
Other available	0	0	0
Unobligated Balances Not Available	0	0	0
Total, Status of Budgetary Resources	<u>\$ 152,086</u>	<u>\$ 1,880,560</u>	<u>\$ 1,842,168</u>

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net-beginning of period	\$ (101,338)	\$ 195,619	\$ 122,306
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, net-end of period:			
Accounts Receivable	(2)	(98,318)	(121,518)
Unfilled customer order from Federal sources	0	(130,904)	(238,925)
Undelivered Orders	442	26,874	66,342
Accounts Payable	18,478	459,267	294,781
Outlays:			
Disbursements	108	1,700,064	1,656,960
Collections	(410)	(1,837,235)	(1,622,451)
Subtotal	<u>\$ (302)</u>	<u>\$ (137,171)</u>	<u>\$ 34,509</u>
Less: Offsetting receipts	0	0	0
Net Outlays	<u>\$ (302)</u>	<u>\$ (137,171)</u>	<u>\$ 34,509</u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
BUDGETARY RESOURCES			
Budget Authority:			
Appropriations Received	\$ 0	\$ 130,446	\$ 0
Borrowing Authority	0	0	0
Contract Authority	125,500	112,662	0
Net transfers (+/-)	0	0	0
Other	0	0	0
Unobligated Balance:			
Beginning of period	1,035,504	37,363	404,115
Net transfers, actual (+/-)	0	0	(245,000)
Anticipated Transfers Balances	0	0	0
Spending Authority from Offsetting Collections:			
Earned			
Collected	10,119,066	5,882,342	(204,072)
Receivable from Federal sources	48,721	27,582	312,629
Change in unfilled customer orders			
Advances received	186,327	0	0
Without advance from Federal sources	(153,892)	(225,028)	0
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	<u>\$ 10,200,222</u>	<u>\$ 5,684,896</u>	<u>\$ 108,557</u>
Recoveries of prior year obligations	\$ 0	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	<u>(22,722)</u>	<u>(13,938)</u>	<u>0</u>
Total Budgetary Resources	<u><u>\$ 11,338,504</u></u>	<u><u>\$ 5,951,429</u></u>	<u><u>\$ 267,672</u></u>

Department of Defense

Navy Working Capital Fund

COMBINING STATEMENT OF BUDGETARY RESOURCES

For the years ended September 30, 2004 and 2003

(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	Research & Development	Supply Management	Component Level
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred:			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable	9,942,870	5,700,391	1,167,941
Subtotal	<u>\$ 9,942,870</u>	<u>\$ 5,700,391</u>	<u>\$ 1,167,941</u>
Unobligated balance:			
Apportioned	\$ 1,395,633	152,093	(900,267)
Exempt from apportionment	0	0	0
Other available	1	0	(2)
Unobligated Balances Not Available	0	98,945	0
Total, Status of Budgetary Resources	<u>\$ 11,338,504</u>	<u>\$ 5,951,429</u>	<u>\$ 267,672</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:			
Obligated Balance, Net-beginning of period	\$ 147,391	\$ 4,517,578	\$ (853,062)
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, net-end of period:			
Accounts Receivable	(34,971)	(244,746)	8,282
Unfilled customer order from Federal sources	(4,659,151)	(741,338)	0
Undelivered Orders	2,234,203	3,953,838	0
Accounts Payable	2,678,205	1,138,718	(541,042)
Outlays:			
Disbursements	9,977,146	6,308,943	535,009
Collections	(10,305,393)	(5,882,342)	204,072
Subtotal	<u>\$ (328,247)</u>	<u>\$ 426,601</u>	<u>\$ 739,081</u>
Less: Offsetting receipts	0	0	0
Net Outlays	<u>\$ (328,247)</u>	<u>\$ 426,601</u>	<u>\$ 739,081</u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>2004 Combined</u>	<u>2003 Combined</u>
BUDGETARY RESOURCES		
Budget Authority:		
Appropriations Received	\$ 130,446	\$ 40,200
Borrowing Authority	0	0
Contract Authority	355,172	558,144
Net transfers (+/-)	0	0
Other	0	0
Unobligated Balance:		
Beginning of period	4,513,325	4,117,221
Net transfers, actual (+/-)	(287,800)	(30,200)
Anticipated Transfers Balances	0	0
Spending Authority from Offsetting Collections:		
Earned		
Collected	23,926,810	25,585,547
Receivable from Federal sources	249,344	(432,227)
Change in unfilled customer orders		
Advances received	90,067	178,239
Without advance from Federal sources	(1,724,666)	1,964,175
Anticipated for the rest of year, without advances	0	0
Transfers from trust funds	0	0
Subtotal	<u>\$ 22,541,555</u>	<u>\$ 27,295,734</u>
Recoveries of prior year obligations	\$ 0	\$ 0
Temporarily not available pursuant to Public Law	0	0
Permanently not available	<u>(186,529)</u>	<u>(204,140)</u>
Total Budgetary Resources	<u>\$ 27,066,169</u>	<u>\$ 31,776,959</u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2004 and 2003
(\$ in thousands)

BUDGETARY FINANCING ACCOUNTS

	<u>2004 Combined</u>	<u>2003 Combined</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 0	\$ 0
Reimbursable	24,316,448	27,263,631
Subtotal	<u>\$ 24,316,448</u>	<u>27,263,631</u>
Unobligated balance:		
Apportioned	\$ 2,650,776	4,632,115
Exempt from apportionment	0	0
Other available	0	2
Unobligated Balances Not Available	98,945	(118,789)
Total, Status of Budgetary Resources	<u>\$ 27,066,169</u>	<u>\$ 31,776,959</u>

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net-beginning of period	\$ 3,274,114	\$ 2,985,762
Obligated Balance transferred, net (+/-)	0	0
Obligated Balance, net-end of period:		
Accounts Receivable	(590,442)	(341,097)
Unfilled customer order from Federal sources	(7,031,461)	(8,756,130)
Undelivered Orders	6,892,059	7,998,442
Accounts Payable	4,968,550	4,372,899
Outlays:		
Disbursements	24,827,178	25,443,332
Collections	(24,016,876)	(25,763,785)
Subtotal	<u>\$ 810,302</u>	<u>(320,453)</u>
Less: Offsetting receipts	0	0
Net Outlays	<u>\$ 810,302</u>	<u>\$ (320,453)</u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
Obligations Incurred	\$ 2,162,146	\$ 1,712,449	\$ 337,336
Less: Spending Authority from offsetting collections and recoveries (-)	<u>(1,231,867)</u>	<u>(1,617,340)</u>	<u>(362,323)</u>
Obligations net of offsetting collections and recoveries	\$ 930,279	\$ 95,109	\$ (24,987)
Less: Offsetting receipts (-)	<u>0</u>	<u>0</u>	<u>0</u>
Net obligations	\$ 930,279	\$ 95,109	\$ (24,987)
Other Resources			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	(38,474)	3,559	(50,573)
Imputed financing from costs absorbed by others	0	0	8,501
Other (+/-)	<u>0</u>	<u>0</u>	<u>0</u>
Net other resources used to finance activities	\$ (38,474)	\$ 3,559	\$ (42,072)
Total resources used to finance activities	<u>\$ 891,805</u>	<u>\$ 98,668</u>	<u>\$ (67,059)</u>
Resources Used to Finance Items not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided			
Undelivered orders (-)	\$ 195,479	\$ 10,446	\$ (7,818)
Unfilled Customer Orders	(1,096,974)	(303,714)	34,070
Resources that fund expenses recognized in prior periods	0	0	(703)
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	0	0	0
Resources that finance the acquisition of assets	(10,084)	(37,302)	(20,888)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations			
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0	0
Other (+/-)	<u>38,474</u>	<u>(3,559)</u>	<u>50,573</u>
Total resources used to finance items not part of the Net Cost of Operations	<u>\$ (873,105)</u>	<u>\$ (334,129)</u>	<u>\$ 55,234</u>
Total resources used to finance the Net Cost of Operations	<u>\$ 18,700</u>	<u>\$ (235,461)</u>	<u>\$ (11,825)</u>

Department of Defense
Navy Working Capital Fund

COMBINING STATEMENT OF FINANCING

For the years ended September 30, 2004 and 2003

(\$ in thousands)

	Depot Maintenance, Shipyards	Depot Maintenance, Aviation	Depot Maintenance, Marine Corps
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:			
Components Requiring or Generating Resources in Future Periods:			
Increase in annual leave liability	\$ 0	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0	0
Upward/Downward reestimates of credit subsidy expense	0	0	0
Increase in exchange revenue receivable from the public (-)	0	0	0
Other (+/-)	0	0	0
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 0	\$ 0	\$ 0
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 22,827	\$ 41,747	\$ 3,644
Revaluation of assets and liabilities (+/-)	0	0	0
Other (+/-)			
Trust Fund Exchange Revenue	0	0	0
Cost of Goods Sold	25,893	181,545	(363)
Operating Material & Supplies Used	0	0	0
Other	0	5,121	3
Total components of Net Cost of Operations that will not require or generate resources	\$ 48,720	\$ 228,413	\$ 3,284
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 48,720	\$ 228,413	\$ 3,284
Net Cost of Operations	\$ 67,420	\$ (7,048)	\$ (8,541)

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
Obligations Incurred	\$ 104,513	\$ 1,689,098	\$ 1,499,704
Less: Spending Authority from offsetting collections and recoveries (-)	15,442	(1,764,969)	(1,586,822)
Obligations net of offsetting collections and recoveries	\$ 119,955	\$ (75,871)	\$ (87,118)
Less: Offsetting receipts (-)	0	0	0
Net obligations	\$ 119,955	\$ (75,871)	\$ (87,118)
Other Resources			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	(120,000)	(419)	(24,954)
Imputed financing from costs absorbed by others	0	0	0
Other (+/-)	0	0	0
Net other resources used to finance activities	\$ (120,000)	\$ (419)	\$ (24,954)
Total resources used to finance activities	\$ (45)	\$ (76,290)	\$ (112,072)
Resources Used to Finance Items not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided			
Undelivered orders (-)	\$ 6,129	\$ (44,176)	\$ 104,662
Unfilled Customer Orders	(15,027)	(27,326)	(33,037)
Resources that fund expenses recognized in prior periods	0	0	0
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	0	0	0
Resources that finance the acquisition of assets	(119,139)	126,786	(25,643)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations			
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0	0
Other (+/-)	120,000	419	24,954
Total resources used to finance items not part of the Net Cost of Operations	\$ (8,037)	\$ 55,703	\$ 70,936
Total resources used to finance the Net Cost of Operations	\$ (8,082)	\$ (20,587)	\$ (41,136)

Department of Defense
Navy Working Capital Fund

COMBINING STATEMENT OF FINANCING

For the years ended September 30, 2004 and 2003

(\$ in thousands)

	<u>Ordnance</u>	<u>Transportation</u>	<u>Base Support</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:			
Components Requiring or Generating Resources in Future Periods:			
Increase in annual leave liability	\$ 0	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0	0
Upward/Downward reestimates of credit subsidy expense	0	0	0
Increase in exchange revenue receivable from the public (-)	0	0	0
Other (+/-)	0	0	0
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 0	\$ 0	\$ 0
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 0	\$ 5,353	\$ 17,562
Revaluation of assets and liabilities (+/-)	0	0	0
Other (+/-)			
Trust Fund Exchange Revenue	0	0	0
Cost of Goods Sold	0	0	0
Operating Material & Supplies Used	0	0	0
Other	0	0	1,976
Total components of Net Cost of Operations that will not require or generate resources	\$ 0	\$ 5,353	\$ 19,538
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 0	\$ 5,353	\$ 19,538
Net Cost of Operations	\$ (8,082)	\$ (15,234)	\$ (21,598)

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
Obligations Incurred	\$ 9,942,870	\$ 5,700,391	\$ 1,167,941
Less: Spending Authority from offsetting collections and recoveries (-)	<u>(10,200,222)</u>	<u>(5,684,896)</u>	<u>(108,557)</u>
Obligations net of offsetting collections and recoveries	\$ (257,352)	\$ 15,495	\$ 1,059,384
Less: Offsetting receipts (-)	<u>0</u>	<u>0</u>	<u>0</u>
Net obligations	\$ (257,352)	\$ 15,495	\$ 1,059,384
Other Resources			
Donations and forfeitures of property	0	0	0
Transfers in/out without reimbursement (+/-)	(404,916)	(633,515)	1,269,417
Imputed financing from costs absorbed by others	0	0	536,385
Other (+/-)	<u>0</u>	<u>0</u>	<u>0</u>
Net other resources used to finance activities	\$ (404,916)	\$ (633,515)	\$ 1,805,802
Total resources used to finance activities	<u>\$ (662,268)</u>	<u>\$ (618,020)</u>	<u>\$ 2,865,186</u>
Resources Used to Finance Items not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided			
Undelivered orders (-)	\$ 9,349	\$ 831,337	\$ 37,113
Unfilled Customer Orders	32,435	(225,028)	0
Resources that fund expenses recognized in prior periods	0	0	(240,924)
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations			
	0	0	0
Resources that finance the acquisition of assets	(193,861)	(3,644,614)	(1,120,440)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations			
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0	0
Other (+/-)	<u>445,440</u>	<u>633,515</u>	<u>(1,309,941)</u>
Total resources used to finance items not part of the Net Cost of Operations	<u>\$ 293,363</u>	<u>\$ (2,404,790)</u>	<u>\$ (2,634,192)</u>
Total resources used to finance the Net Cost of Operations	<u>\$ (368,905)</u>	<u>\$ (3,022,810)</u>	<u>\$ 230,994</u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>Research & Development</u>	<u>Supply Management</u>	<u>Component Level</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:			
Components Requiring or Generating Resources in Future Periods:			
Increase in annual leave liability	\$ 0	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0	0
Upward/Downward reestimates of credit subsidy expense	0	0	0
Increase in exchange revenue receivable from the public (-)	0	0	0
Other (+/-)	<u>0</u>	<u>0</u>	<u>0</u>
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 0	\$ 0	\$
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 155,364	\$ 8,760	\$ 0
Revaluation of assets and liabilities (+/-)	0	42,926	(2)
Other (+/-)			
Trust Fund Exchange Revenue	0	0	0
Cost of Goods Sold	250,212	3,703,451	0
Operating Material & Supplies Used	0	0	0
Other	<u>0</u>	<u>31,272</u>	<u>0</u>
Total components of Net Cost of Operations that will not require or generate resources	\$ <u>405,576</u>	\$ <u>3,786,355</u>	\$ <u>(2)</u>
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ <u>405,576</u>	\$ <u>3,786,355</u>	\$ <u>(2)</u>
Net Cost of Operations	<u><u>\$ 36,671</u></u>	<u><u>\$ 763,545</u></u>	<u><u>\$ 230,992</u></u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Combined</u>	<u>2003 Combined</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 24,316,448	\$ 27,263,631
Less: Spending Authority from offsetting collections and recoveries (-)	(22,541,554)	(27,295,734)
Obligations net of offsetting collections and recoveries	\$ 1,774,894	\$ (32,103)
Less: Offsetting receipts (-)	0	0
Net obligations	\$ 1,774,894	\$ (32,103)
Other Resources		
Donations and forfeitures of property	0	0
Transfers in/out without reimbursement (+/-)	125	(13,527)
Imputed financing from costs absorbed by others	544,886	543,381
Other (+/-)	0	0
Net other resources used to finance activities	\$ 545,011	\$ 529,854
Total resources used to finance activities	<u>\$ 2,319,905</u>	<u>\$ 497,751</u>
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
Undelivered orders (-)	\$ 1,142,521	\$ (703,528)
Unfilled Customer Orders	(1,634,601)	2,142,413
Resources that fund expenses recognized in prior periods	(241,627)	0
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	0	8
Resources that finance the acquisition of assets	(5,045,185)	(1,899,644)
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations		
Less: Trust or Special Fund receipts related to exchange in the entity's budget (-)	0	0
Other (+/-)	(125)	0
Total resources used to finance items not part of the Net Cost of Operations	<u>\$ (5,779,017)</u>	<u>\$ (460,751)</u>
Total resources used to finance the Net Cost of Operations	<u>\$ (3,459,112)</u>	<u>\$ 37,000</u>

Department of Defense
Navy Working Capital Fund
COMBINING STATEMENT OF FINANCING
For the years ended September 30, 2004 and 2003
(\$ in thousands)

	<u>2004 Combined</u>	<u>2003 Combined</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	\$ 0	\$ 0
Increase in environmental and disposal liability	0	0
Upward/Downward reestimates of credit subsidy expense	0	0
Increase in exchange revenue receivable from the public (-)	0	0
Other (+/-)	<u>0</u>	<u>83,927</u>
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ <u>0</u>	\$ <u>83,927</u>
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 255,203	\$ 243,755
Revaluation of assets and liabilities (+/-)	42,924	74,973
Other (+/-)		
Trust Fund Exchange Revenue	0	0
Cost of Goods Sold	4,160,738	0
Operating Material & Supplies Used	0	0
Other	<u>38,732</u>	<u>275</u>
Total components of Net Cost of Operations that will not require or generate resources	\$ <u>4,497,237</u>	\$ <u>319,003</u>
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ <u>4,497,237</u>	\$ <u>402,930</u>
Net Cost of Operations	<u><u>\$ 1,038,125</u></u>	<u><u>\$ 439,930</u></u>



DEPARTMENT OF THE NAVY

NAVY WORKING CAPITAL FUND REQUIRED SUPPLEMENTARY INFORMATION

Navy Working Capital Fund

General Property, Plant, and Equipment

Real Property Deferred Annual Sustainment and Restoration Tables

As of September 30, 2004

(\$ in Millions)

Annual Sustainment FY 2004			
	Required	Actual	Difference
Navy	\$ 230	\$ 230	0
Marine Corps	5	5	0
Building, Structures, and Utilities	\$ 235	\$ 235	0

Annual Deferred Sustainment Trend				
	FY 2001	FY 2002	FY 2003	FY 2004
Navy	-	-	-	0
Marine Corps	-	-	-	0
Building, Structures, and Utilities	\$ 72	0	0	0

Restoration and Modernization Requirements			
	End FY 2003	End FY 2004	Change
Navy	-	-	0
Marine Corps	-	-	0
Building, Structures, and Utilities	0	0	0

Narrative Statement:

Fiscal Year 2004 represents the third year in which the Facility Sustainment Model (FSM) was utilized. Deferred amounts were calculated in accordance with the methodology provided by DoD Financial Management Regulation, Volume 6B, Chapter 12. The output of the Facility Sustainment Model continues to undergo quality checks to ensure its accuracy. Accordingly, requirements for each fiscal year are prepared with a more updated and accurate version of the model.

In FY 2004, FSM version 4.0 was used for programming and budgeting facilities sustainment.

This year represents the first year that separate breakout of Navy and Marine Corps sustainment amounts can be provided.

Presently, final execution figures for NWCF are not available. The amounts shown on this table reflect the budgeted amounts and will be updated as soon as execution data is available.

The NWCF has no material amounts of deferred sustainment for the General Property, Plant, and Equipment categories of Personal Property, Heritage Assets, or Stewardship Land.

Schedule, Part A DoD Intra-governmental Asset Balances. (\$ Amounts in Thousands)	Treasury Index	Fund Balance with Treasury	Accounts Receivable	Loans Receivable	Investments	Other
Architect of the Capitol	01		11			
Library of Congress	03		-			
Government Printing Office	04		126			
General Accounting Office	05		-			
The Judiciary	10		-			
Executive Office of the President	11		53			
Department of Agriculture	12		219			
Department of Commerce	13		1,209			
Department of the Interior	14		375			
Department of Justice	15		1,192			
Department of Labor	16		-			
Department of the Navy	17		568,385			
United States Postal Service	18		57			
Department of State	19		4,956			
Department of the Treasury	20	861,243	3,990			
Department of the Army	21		33,598			
Resolution Trust Corporation	22		-			
Office of Personnel Management	24		1			
Federal Communications Commission	27		-			
Social Security Administration	28		-			
Federal Trade Commission	29		38			
Nuclear Regulatory Commission	31		26			
Smithsonian Institution	33		-			
Department of Veterans Affairs	36		182			
Pennsylvania Avenue Development Corp	42		-			
General Service Administration	47		1,822			
National Science Foundation	49		37			
Advisory Commission on Intergovernmental Relations	55		3			
Department of the Air Force	57		60,640			
National Foundation on the Arts and the Humanities	59		10			
Consumer Product Safety Commission	61		2			
Tennessee Valley Authority	64		8			
Environmental Protection Agency	68		625			
Department of Transportation	69		7,791			
Department of Homeland Security	70		20,808			
Small Business Administration	73		1,156			
Department of Health and Human Services	75		1,727			
National Aeronautics and Space Administration	80		5,915			
Export-Import Bank of the United States	83		37			
Department of Energy	89		2,315			
Selective Service System	90		31			
Department of Education	91		5			
Independent Agencies	95		272			
Corps of Engineers, Civil	96		270			
Other Defense Organizations General Funds	97		124,765			
Other Defense Organizations Working Capital Funds	97-4930		3,864			
Army Working Capital Fund	97-4930.001		6,832			15
Air Force Working Capital Fund	97-4930.003		4,163			
Totals:		\$ 861,243	\$ 857,516	\$ -	\$ -	\$ 15

Note: Totals might not match the amounts shown on the Principal Statements.

Schedule, Part B DoD Intragovernmental entity liabilities. <i>(\$ Amounts in Thousands)</i>	Treasury Index:	Accounts Payable	Debts/Borrowings From Other Agencies	Other
Department of Agriculture	12	6		
Department of Commerce	13	71		
Department of the Interior	14	(143)		
Department of Justice	15	5		
Department of Labor	16	54		
Department of the Navy	17	56,800		
United States Postal Service	18	976		
Department of the Treasury	20	132	506,278	
Office of Personnel Management	24	36,228		37,201
Federal Communications Commission	27	3,028		
Department of Veterans Affairs	36	0		
Government Printing Office	4	1		
General Service Administration	47	1,426		
National Science Foundation	49	951		
Air Force General Fund	57	1,507		
Department of Homeland Security	70	50		72,510
National Aeronautics and Space Administration	80	884		
Department of Energy	89	24		
Other Defense Organizations General Funds	97	2,152		
Other Defense Organizations Working Capital Funds	97-4930	124,187		
Defense Working Capital Fund, Army	97-4930.001	6,320		
Defense Working Capital Fund, Airforce	97-4930.003	9,320		
The General Fund of the Treasury	99			5,141
Totals:		\$ 243,979	\$ 506,278	\$ 114,852

Note: Totals might not match the amounts shown on the Principal Statements.

Schedule, Part C DoD Intragovernmental revenue and related costs. (\$ Amounts in Thousands)	Treasury Index:	Earned Revenue
Architect of the Capitol	01	\$ 792
Library of Congress	03	921
Government Printing Office	04	162
The Judiciary	10	-
Executive Office of the President	11	2,057
Department of Agriculture	12	14,975
Department of Commerce	13	10,144
Department of the Interior	14	2,394
Department of Justice	15	104,170
Department of Labor	16	716
Department of the Navy	17	18,912,132
United States Postal Service	18	98
Department of State	19	16,974
Department of the Treasury	20	8,636
Department of the Army	21	288,024
Resolution Trust Corporation	22	20
Office of Personnel Management	24	61
Federal Communications Commission	27	(2)
Social Security Administration	28	106
Federal Trade Commission	29	420
Nuclear Regulatory Commission	31	1,536
Smithsonian Institution	33	739
Department of Veterans Affairs	36	1,255
Pennsylvania Avenue Development Corporation	42	169
General Services Administration	47	2,213
National Science Foundation	49	14,483
Advisory Commission on Intergovernmental Relations	55	269
Department of the Air Force	57	525,513
Federal Emergency Management Agency	58	822
Consumer Product Safety Commission	61	12
Tennessee Valley Authority	64	105
Environmental Protection Agency	68	1,932
Department of Transportation	69	19,158
Department of Homeland Security	70	104,975
Agency for International Development	72	16,267
Small Business Administration	73	16
Department of Health and Human Services	75	14,581
Independent Agencies	76	-
National Aeronautics and Space Administration	80	52,883
Export-Import Bank of the United States	83	137
Department of Energy	89	31,563
Selective Service System	90	75
Department of Education	91	28
Independent Agencies	95	131
Corps of Engineers, Civil	96	206
Other Defense Organizations General Fund	97	1,167,947
Department of Defense Working Capital Funds	97-4930	78,260
Defense Working Capital Fund, Army	97-4930.001	67,181
Defense Working Capital Fund, Air Force	97-4930.003	233,845
The General Fund of the Treasury	99	(5,141)
	Total	\$ 21,693,791

Note: Totals might not match the amounts shown on the Principal Statements.

Required Supplemental Information - Part E (\$ Amounts in Thousands)			
	Treasury Index:	Transfers In	Transfers Out
Navy General Fund	17		\$ 45,177
Army General Fund	21		\$ 200,000
US Army Corps of Engineers	96	\$ 211	
Other Defense Organizations General Funds	97		\$ 0
Other Defense Organizations Working Capital Funds	97-4930	\$ 92	\$ 42,800
Totals might not match reports	Totals:	\$ 303	\$ 287,977

Note: Totals might not match the amounts shown on the Principal Statements.



DEPARTMENT OF THE NAVY

NAVY WORKING CAPITAL FUND OTHER ACCOMPANYING INFORMATION

APPROPRIATIONS, FUNDS, AND ACCOUNTS INCLUDED IN THE FINANCIAL STATEMENTS

REPORTING ENTITY

Navy Working Capital Fund

Fund/Account Treasury Symbol and Title:

97X4930 002

Navy Working Capital Fund Activity Group Treasury Symbol and Title:

97X4930.NA1*	Depot Maintenance-Shipyards
97X4930.NA2*	Depot Maintenance-Aviation
97X4930.NA4*	Depot Maintenance- Other (Marine Corps)
97X4930.NA3* a	Ordnance
97X4930.ND*	Transportation
97X4930.NE* *	Base Support
97X4930.NH**	Research and Development
97X4930.NC**	Supply Management

Notes

- * - The "*" represents alpha or numeric characters which identify an activity or reporting segment of the activity group.
- a - The Ordnance activity group became a part of the DON General Fund in FY 2000. The Ordnance information included in this report represents residual NWCF accounting for this group.



DEPARTMENT OF THE NAVY

AUDIT OPINIONS

